

Chapter of Economic History

Europe's Railways and Jewish Enterprise

German Jews as Pioneers of Railway Promotion

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FOREWORD

The material presented here consists of tentative notes — admittedly uneven and of a fragmentary character — which are intended to indicate and delineate an interesting chapter of European economic history in which Jews played an outstanding part: the share of Jewish enterprise in the development of the European railway system, which, in turn, is closely connected with the evolution of capitalism and of the new financial intermediaries. Much interesting documentary material still awaits to be studied in private and public archives, before this chapter can receive the full treatment that it deserves.

Many of the early railway entrepreneurs were German Jews or originated from Germany; their economic activities are in a number of cases outlined here in some detail, as significant contributions to the economic development of the European continent. Yet, to complete this survey of often interlocking activities, sketches of some of their more important counterparts from other countries who played a similar role in the commencement of the railway age had to be included in the present essay.

It is possible here only to highlight some of the major features of a dramatic story which still remains to be written: how in the nineteenth century Jewish entrepreneurs, newly-emerged from the ghetto and barely emancipated, became the protagonists of the new mode of transportation, the railways. All over Europe Jews had an astounding share in the initiation and development of the continental railway system; it is a story of success and of failures; it was a case of real pioneering, often enough undertaken in the face of wide-spread scepticism as to the technical and economic feasibility of the new invention, and sometimes in the face of open opposition by entrenched vested interests.

No attempt will be made to suggest or to prove, à la Sombart, a special affinity of the alleged Jewish character with this type of business. The fact that no Jewish names appear in the railway-history of the British Isles, nor among the railroad kings of the U.S.A., should make us wary of such an attempt.

It was in a Viennese court, in 1873, that the phrase was coined: "You cannot build railways with morality sermons."¹ While in this, the first

¹F. G. Steiner, writing on the Offenheim case (Lemberg-Czernowitz Railway) in his book *Entwicklung des Mobilbankwesens in Österreich*, Vienna, 1913, p. 183.

big case in Europe dealing with corruption in the railway business, the defendant was cleared of the accusation of bribery, there is no doubt that the railway entrepreneurs had their own code of conduct which Cochran in his masterly entrepreneurial study of the American Railroad Leaders summed up as follows:

"The nineteenth-century big business entrepreneurs by their actions were creating a practical code of ethics outside of, if not opposed to the Christian ideals, emphasizing time more insistently than anyone since the original creation, and practising more vigorously than men of any previous age, the self-denial of conventional pleasures today in return for power and wealth tomorrow; hence they were conditioned by situations different from those that affected small merchants and professional men of learning, expounders of religion or aristocratic country gentlemen. Historians and journalists have called them 'robber barons' and have described them, sometimes accurately, as buyers of legislatures, makers of presidents, controllers of education, debasers of religion, engrossers of the public domain and swindlers of investors."²

Similar comments were heard also on the European continent. When the entrepreneurs' vision proved right, the resulting big profits commensurate to the big risks taken were decried as exorbitant by denigrators who were equally quick in automatically making accusations of malfeasance against those whose failures may have been due to over-optimism, faulty calculation or even *force majeure*. (When Jewish entrepreneurs were involved the critical comments had a special flavour.) That was apparently the fate of Henry B. Strousberg. But there were others like the notorious Mirès, probably the only "black sheep" in our gallery, in whose case no mitigating circumstances can be detected. This does not mean to say that all the others were saints.

The entrepreneurs' code of conduct was attuned to the time and location of their operations and to the specific conditions obtaining then and there.

In France of the 1840's the distribution of "bonus shares" among members of parliament and the press certainly helped to smooth the passage of the Northern Railway. In Russia in the sixties and seventies, as Westwood records,³ important civil servants, including the governor of the State Bank, as well as members of the royal family, for instance, the Tsar's brother, received bribes in the form of shares from railway promoters. And Herr von Gwinner, the impeccable head of the *Deutsche Bank*, dared to admit in writing:

"Nobody having done business in Turkey ignores that *backsheesh* on the Bosphorus ruled supreme, and was hitherto an absolute condition of any contract. We had to pay in proportion to the importance of a business of some twenty million pounds. The Sultan himself saddled us sometimes under the most fantastic pretexts with fresh parties that had to be satisfied... To those who will blame us for having consented to pay *backsheesh* on this as on other occasions... I will

²Thomas Childs Cochran, *Railroad Leaders 1845-1890. The Business Mind in Action*, Cambridge (Mass.), 1953, p. 1.

³John Norton Westwood, *A History of Russian Railways*, London 1964, p. 72.

venture to recall having read the Diary of Samuel Pepys, Esquire, from which it appears that there was a time, not so very far distant, when *backsheesh* even in London was a common institution.”⁴

This frank admission does not seem to have affected von Gwinner's standing at the Imperial Court and in society in any way. But *si duo facent idem* . . . No such indulgence was shown towards the builder of the Oriental Railways, Baron Hirsch, a man who had allegedly spent 100 million francs on bribes to Austrian and Turkish cabinet ministers, and whom the Viennese Court and society therefore refused to accept into their circles. That many of the rumours were false was shown later on by the London ‘Times’.⁵ But as the Viennese historian, Heinrich Benedikt remarked, Hirsch like Marlborough, had to suffer, as no accounts can be published of payments over the “private ledger”.⁶

The economic historian, however, is not a moral philosopher. Sitting in judgment on that period, he will have to speculate on what would have happened if the entrepreneurs would have refrained from business with governments of the type then in power. It seems to us that even including these “political overhead expenses” the cost to the nation concerned of the entrepreneur-built railways was lower than if they had been built by the governments themselves. Otherwise their construction would have been delayed for years and thus the concomittant economic advance of the country concerned would have been delayed also. Similar situations confront the foreign aid administrator and international contracting firms of today with regard to development projects in some developing countries. In the refined, developed Western world with its well established system of lobbyists and public relations councillors, no problems of such outspoken character exist.

Thus we will have to judge the railway builders of the last century on their achievements within the social and moral set-up of their time and surroundings. The economic historian in his appraisal of that period will make his own a dictum of the late Justice L. D. Brandeis, who, when asked whether it was true that all American railroad companies were bankrupt, answered laconically: “Yes, but America has the railroads.”

I. THE DAWN OF THE RAILWAY ERA.

In 1825 the first locomotive-driven railway was opened: the Stockton-Darlington line in England. Fifty years later railways were spreading beyond the fringes of Europe, through the Balkans and Asia Minor, to

⁴A. von Gwinner, ‘The Baghdad Railway and the Question of British Cooperation’, *The Nineteenth Century and After*, No. 388, June 1909, p. 1088.

⁵August 21, 1888.

⁶Heinrich Benedikt, *Die wirtschaftliche Entwicklung in der Franz-Joseph-Zeit*, Vienna, 1958, Wiener Historische Studien, vol. 4, p. 119.

India, China and Japan. In Russia there had been a steady, though slow, development of the railway network since 1842, in the United States a rapid one since 1845.

The railways were at the same time a creation and a creator of the Industrial Revolution. It was this spreading of the railways, which had contributed in a most spectacular manner to a revaluation of all values, a complete change of the traditional civilization, society and culture. And it brought about a completely new financial organization, the development of the modern banking system, in order to cope with the new demands on capital — intensive large-scale enterprise.

Modern corporate banking, it is sometimes claimed, began at the end of the Napoleonic wars. It would be more correct to say that it started with the spreading of the Industrial Revolution from the British Isles across the Channel to Belgium and France, and from there gradually over the entire Continent, a development coinciding with the end of the Napoleonic wars, but not necessarily connected with them. The banks, indeed, had soon become the trail-blazers of this development, and sometimes its camp-followers. Thus, the history of the Industrial Revolution in Europe in general, and of the railway development in particular, is largely a chapter of banking history. And it is largely, though not exclusively, in this context that we can record the prominent share Jewish enterprise had in this process.

Since the Peace of Westphalia (1648) the "Court Jew" had become, especially in Germany, a prominent feature in the financial administration of the modern, nationally centralized state during the seventeenth and eighteenth century. Combining, as they did, the functions of financiers with that of purveyors for a large range of supplies, whether for the princely household or for the army, they were, indeed, merchant bankers par excellence. Since the introduction of the negotiable certificates of indebtedness — in the West in the seventeenth, and in Germany in the eighteenth century — the bankers to the princes and governments became, in fact, issue houses. The need to create a market for these bonds gave birth to the stock exchange, for which Amsterdam became, in the eighteenth century, the international centre. Frankfurt, first an imitation of Amsterdam, but barely touched by the French disturbances, began to take Amsterdam's place from 1790 onwards. By 1800 already twenty state loans were on the trading list in Frankfurt, but not one in Berlin.⁷ During the Napoleonic wars the Jewish merchant banker still played a major role in providing army supplies and cash. In Bavaria, for instance, 81% of the state loans during 1801-1809 were placed by Jewish bankers.⁸

⁷Gerhart von Schulze-Gaevernitz, 'Die deutsche Kreditbank', in *Grundriß der Sozial-ökonomie*, vol V/2, Tübingen 1915, p. 28.

⁸L. Hümmert, *Die finanziellen Beziehungen jüdischer Bankiers und Heereslieferanten zum bayerischen Staat in der ersten Hälfte des 19. Jahrhunderts*, Diss., Munich, 1927.

After the Congress of Vienna and the Restoration the "Court Jews" emerged as "Court Bankers", a name which with the progressive modernization of the public financial administration and taxation was soon to become a mere courtesy-title, an honour bestowed on some well-deserved private bankers.⁹ It was this private banker who, between 1830 and 1870, had become the prime mover of the railway development.

Now, "railway development" is a simple term which covers a great many phases of a complicated process, which begins with the application for a concession and the deposit of a "performance bond" in cash or securities; the actual construction of the railroad and purchase of construction materials, such as rails and rolling stock, and finally the operation of the completed railway, each phase requiring finance of a different kind. It was possible to carry on the enterprise as an integrated business from the beginning to the end, or to engage in one or more of its phases only. Thus a successful concession-hunter may have sold out with profit; a contractor may have undertaken specific parts of the construction job; some factories may have tendered for supplies, etc., but all of them required financing. So the bankers became involved in each project to a varying degree; some in all-embracing operations, from securing the concession, the active supervision of the construction and the operation of the completed railway, others were satisfied with a participation in the enterprise and a seat on the board. Others again bought completed lines for operation, extension or merger with other lines in which they had an interest, or acted simply as an issue house, sometimes retaining part of the issue in their portfolio, in order to secure representation on the board. But eventually they all, in order to remain liquid, had to unburden themselves on the bond-market. Even where the State, as in Belgium, built the main railway, it had to finance itself through bond-issues, marketed by the bankers. But whatever the form of interest may have been, the capital required for such enterprise was formidable.

⁹The history of these Jewish private bankers has still to be explored. It was a veritable "explosion" of Jewish banking talent which took place in the first half of the last century in that small corner of Europe: South-west Germany, which soon made itself felt in all financial centres of the world. With the few exceptions of Itzig, Bleichröder and Mendelssohn in Berlin, all the well-known banking houses came from that district: Frankfurt, Karlsruhe, Mayence, Würzburg, Munich, Fürth. Even those who, like the Habers, originated in Breslau, or the Königswarters near Prague, had their beginning in this region, Karlsruhe and Fürth respectively. And from there they branched out to Paris and Brussels, to London and New York, to Antwerp and Vienna. But it is even more striking that, as B. E. Supple has recently shown, most of the noted German-Jewish financiers in New York in the last century had immigrated, when young, from small villages in Bavaria as pedlars and petty tradesmen before making their way to Wall Street and fame. (B. E. Supple, 'A Business Elite: German-Jewish Financiers in 19th-Century New York', *Business History Review*, XXXI/2, Boston, 1957.)

This "group experience" on both sides of the ocean would, indeed, seem to indicate the need for a thorough socio-economic historical analysis of this chapter of German Jewry's past.

As Steiner says:

"It does honour to the private bankers that they understood the need of the hour for organizing in syndicates for the purpose of establishing and managing large enterprises for which their individual resources would have been insufficient. It was particularly the House of Rothschild, which frequently took the lead in this field."

and quoting here the example of Salomon Rothschild's pioneering enterprise, the *Kaiser Ferdinands-Nordbahn*, he adds

"But we find already in the founder syndicate of this company the names of several other Viennese bankers."¹⁰

Landes, referring to the international competitive bidding for concessions, expensive and of uncertain outcome, remarks:

"As a result, the most impressive thing about Continental railroad finance in this period [i.e. the 1840's in France] is not the vehemence and bitterness that marked these struggles but the sensible cooperation and understanding that usually ensued. Sensible and thoroughly pragmatic, the great financial powers had little patience for small competitors. Where they could dismiss their competitors easily, they did so out of hand. But they had the healthiest regard for their peers, and they usually succeeded in coming to some sort of an agreement with one another before the final award of the concession."¹¹

But little was left of this spirit of compromise a decade later when the Pereires set up their *Crédit Mobilier* in 1856 as a challenge to their erstwhile backers, the Rothschilds, and a deadly struggle ensued for the next dozen hectic years in competition for railway concessions all over the continent. Each warring party had its allies; Pereira in particular the once powerful houses like Arnstein & Eskeles and Sina (whose position had suffered through Rothschild) and Erlanger who had once been an employee of the Frankfurt Rothschilds and was now an enemy and competitor. Sometimes loyalties were switched in battle. Sometimes, through family connections, a bank could be represented in both camps. (Abraham Oppenheim's brother-in-law, Fould, was the main backer of Pereire, while his other brother-in-law, Moritz v. Haber, belonged to the Rothschild group.) It is this collaboration of the private banks in railway enterprise and industrial concentration¹² which helped to prepare the ground for the establishment of the great *banques d'affaires* in France, and the mixed banks in Germany in the latter part of the last century, which were founded and managed by the private bankers and into which many of them eventually merged their business. These banks distinguish the continental banking system still today from that prevailing in the Anglo-Saxon world.

¹⁰Steiner, *op. cit.*, pp. 25 ff.

¹¹David Saul Landes, *Bankers and Pashas. International Finance and Imperialism in Egypt*, London, 1958, p. 45.

¹²This is extremely well documented in Maurice Lévy-Leboyer, *Les Banques Européennes et l'Industrialisation dans la première moitié du XIXe siècle*, Paris, 1964.

Very few of the private banks, such as the House of Rothschild, have survived this movement towards concentration.

This concentration, in fact, is a direct outcome of the railway development. While at first the construction of the relatively small sections for which concessions were granted were within the financial capacity of the private banker holding or backing the concession, they were not strong enough alone to underwrite the larger schemes and networks which were put up to tender on basis of experience gained in the planning and construction of railways. The place of the *ad hoc* syndicates then formed for undertaking such larger schemes was eventually taken by the new big financial organizations — the *Crédit Mobilier*, the *banques d'affaires* — the creation of which was predominantly due to the capital demands of the railway age.¹³

II. SALOMON IN VIENNA

"The first success in railway development on the continent" — as Steiner records it —, "is primarily due to the Rothschilds. It was Salomon who, at a considerable expense and without any prospect for recovering it, enabled experts to study developments in this field abroad; he also established the first locomotive-driven railway line, the *Nordbahn*"¹⁴. And Corti adds: "Though one should not forget that Salomon was guided by business interests, his position is firmly established as that of a pioneer of one of the most daring and powerful inventions of the human mind."¹⁵

Salomon Rothschild actually was a newcomer to Vienna. With his arrival in 1820 the still somewhat underdeveloped Viennese financial market underwent a rapid change. The bankers, called *Grosshändler und Wechsler* had been organized in Vienna since 1774 in the *Grosshandels-Gremium*, the membership of which was open to firms owning a minimum capital of fl. 30,000. Whether to prevent the proliferation of banking houses or due to the decreased value of the currency, these capital requirements were increased in 1804 to fl. 50,000, and in 1806, only for Jewish firms, to fl. 60,000. If this discrimination was meant to keep out the Jews, it certainly proved a failure, because we soon see newcomers, firms like Königswarter, Lämél and Todesco, occupying an important position in the economy, gradually replacing the bankers of Swiss origin like Geymüller & Co., Fries & Co., Steiner & Co., etc., who had predominated under Maria Theresia. There had been a fairly close collaboration between these bankers and their confrères such as Hope in Amsterdam and Beth-

¹³Cf. Karl Morawitz, 'Über Österreichisches Bankwesen', in his book *Aus Arbeitstagen und Mußestunden*, Vienna, 1908.

¹⁴Steiner, *op. cit.*, pp. 255 ff.

¹⁵Egon Caesar Corti in *Neue Österreichische Biographie*, vol. 6, Vienna, 1929, Art. Salomon Mayer Rothschild.

mann in Frankfurt, in order to provide the state with its large credit needs.

One of the most important houses at the turn of the eighteenth century, if not the most important one, was Arnstein & Eskeles, both of whose partners were descendants of the famous Samson Wertheimer, the Court Banker of Charles VI, and thus represented the fourth generation in the service of crown and government.¹⁶ They enjoyed a leading position in business and in society. They, together with Geymüller & Co.¹⁷ and G. Sina¹⁸ were the state-bankers when Salomon Rothschild arrived in Vienna. He soon outranked them and they, understandably, joined the anti-Rothschild camp.

In September 1830, the opening of the Liverpool-Manchester railway, the first "commercial line" had definitely proved the possibilities of the new invention. Salomon had been watching this development with interest. Through another banker, Samuel Biedermann,¹⁹ he had met Professor Franz Xavier Riepel of the Vienna Institute of Technology, who had conceived the idea of a railway from Vienna to Bochnia (near Cracow). This line would connect the salt-mines of Wieliczka in Galicia, the coal mines of Mährisch-Ostrau (today Moravska-Ostrava) and the steel mills of Witkowitz with the great market of the capital and the main river of the empire, the Danube. This was part of his larger scheme for a railway-network covering the entire Monarchy. Early in 1830 Salomon sent Riepel together with his secretary Leopold von Wertheimstein to England to study on the spot the progress in locomotive traction and railway construction. His brother Nathan in London who, like most of the other city bankers had kept aloof from this new business whose technical and economic possibilities he had questioned, had, nevertheless, kept his brothers abreast of these developments, so that they could exploit on the Continent the opportunities which he had missed in Britain.

The two delegates returned from England not only in favour of Riepel's original plan, but with the idea of its continuation from Vienna to Trieste. However, the outbreak of the July revolution in Paris, with its repercussions on the capital markets in general, and the Rothschild

¹⁶See Appendix.

¹⁷This bank collapsed in 1841. Rothschild could not or did not want to help in rescuing it.

¹⁸George Sina (1753-1822), a Greek from Moschopolis, who also had built up a merchant-banking house of European renown in Vienna, was succeeded by his elder son Georg Simon (1782-1856).

¹⁹Samuel, the son of M. L. Biedermann, had since 1808 carried the title of an Imperial and Royal Wholesaler (*Großkaufmann*) which, as previously mentioned, meant "merchant banker", and since 1830 that of a Court Jeweller. A son of poor parents, he had come to Vienna from Pressburg and was trained as a jeweller and engraver. As such his talents were soon appreciated by the Court, and he was granted "toleration", i.e. the right of residence, in 1792. His fortune, however, he seems to have made in the export of woollens. As banker he was noted for interest-free, substantial loans to government for famine relief in 1817. From 1806 till his death in 1843 he was one of the Jewish representatives who were instrumental in the building of the first Temple in Vienna.

position in particular, forced Salomon to postpone action. Some two or three years passed before he felt able to proceed with the scheme. He then engaged a group of engineers under Riepel's direction to begin with the detailed survey and tracking of the planned railway, and in April 1835 he submitted his application to the Emperor. Meanwhile Emperor Franz I, who would have probably procrastinated about such a revolutionary development, had died in 1835 and his successor, Emperor Ferdinand, was likely to do what his advisers would say. Among them Metternich's support seemed assured, and the application, which emphasized the benefit of the project for the national economy, had good chances for approval.

In spite of the opposition of public opinion and the press, in which "medical experts" spoke of the damage to the human body which traveling at such speed would cause, the "reactionary bureaucracy" was more progressive. In November 1835 the concession was granted.

Salomon again sent Riepel to England to check progress made there since his previous visit, and took steps to finance the scheme, which was estimated at fl. 12 million for the 60 (German) miles long railway, i.e. ca. 450 km. Of 12,000 shares of fl. 1,000 each, Rothschild kept 8,000 and 4,000 were offered by public subscription; 27,490 were applied for, not only by bankers like Biedermann, Eskeles, Geymüller and Sina, who received only a small quota of their application, but by many small subscribers who obtained theirs in full. This tremendous success, in the face of a sceptical press, provoked Sina's jealousy. In February 1856 he applied for a concession for a railway to the Adriatic coast via Raab. Rothschild realized his mistake in not having included in his scheme at once, as Riepel had suggested, a line to the south. Now he asked, though to no avail, for an extension of his concession from Brody in Galicia via Vienna-Hungary to the Adriatic Sea; but Sina's application was favourably considered. Salomon thereupon applied for an extension for a line along the Danube to Pressburg, but he and Sina got only "exploration licences", i.e. permits to undertake preliminary studies.

In order to gain an advantage over his adversaries Salomon now asked for, and obtained, the privilege to name his undertaking the *Kaiser Ferdinands-Nordbahn* and the leading government officials, Metternich, Count Kollowrat and Count Mitrowsky agreed to be its Protectors.

In April 1836 the first general shareholders' meeting took place in which Salomon transferred to the company his concession, and at a subsequent meeting a first board was elected, including Baron David Eskeles, and Baron Johann Sina, who took their places in order to be kept informed of their "enemy's" intention. And with their secret support, a new campaign started against the project, led by a partner of Arnstein & Eskeles, Baron Ludwig Pereira (not related to but later connected with the Parisian Pereires), who in a long memorandum set out many technical faults in

the scheme and doubted its economic viability. This memorandum, which Rothschild's enemies had also brought to the Emperor's attention, resulted in a sharp reply from Riepel, and Salomon declared himself ready to repurchase the shares and to proceed alone with the scheme. But at a shareholders' meeting in October, 1836, of 83 entitled to vote, 76 voted for Rothschild; Eskeles and Sina resigned from the board.

Construction could now proceed. The line to Brünn was completed in 1839 and was opened with much ceremony. But its cost exceeded the estimates; the first 42 (German) miles cost fl. 14 m., against a budgeted fl. 12 m. for 60 (German) miles. Rothschild had to advance the necessary funds, and was probably not too aggrieved that Sina had meanwhile received his concession for the Southern Railway. Not before 1858 was the railway to Bochnia completed, more than twenty years from the beginning of its construction, instead of the ten, first envisaged in the concession. The shares which in 1842 were under par, slowly rose to 228 in 1845. The enterprise proved a complete success.

III. JAMES IN PARIS

James Rothschild's position in Paris was somewhat different from that of Salomon's in Vienna. He had not disturbed old-established vested interests as the majority of the bankers in Paris were, like himself, recent arrivals from Germany and Switzerland.²⁰ James had opened up his bank in 1814 as a branch of the Frankfurt house of Rothschild Bros., which in 1817 had become independent. In 1815 his firm with a capital of Frs. 875,000 ranked behind others, such as Périer frères with Frs. 2 m. (1805), but on June 30, 1824 its balance sheet showed a capital of Frs. 33 m., and Frs. 131 m. of deposits. James had "arrived".

Whether it is true, as Corti claims²¹ that Nathan from London had kept his brothers alert to the chances of the railway age on the Continent, which he had missed in England, or whether he, as Cecil Roth says,²² "had held himself incredulously aloof" from these developments, the decisive push to action came from outside, from third parties: in Vienna it was Professor Riepel, in Paris Emile Pereire, introduced by Adolphe d'Eichthal, who interested the brothers in concrete projects. But while Salomon in Vienna, as we have seen, forthwith became a railway entrepreneur on a large scale, taking charge of an entire project, from the application for the concession to the operation of the line, James in Paris, at least in the beginning, acted merely as financier of a relatively small project.

In 1835 Emile Pereire received the charter for building the 19 kilometre-

²⁰Lévy-Leboyer, *op. cit.*, p. 432.

²¹Egon Caesar Corti, *Das Haus Rothschild in der Zeit seiner Blüte. 1830-1871*, Leipzig, 1928 (general source for this chapter), pp. 101, 107.

²²Cecil Roth, *The Magnificent Rothschilds*, London, 1962, p. 42 (1st ed. 1939).

long railway from Paris to St. Germain, a popular spot on the road to Rouen and Le Havre. It was the first such charter.

The Pereires, (Jacob) Emile (1800-1875) and Isaac (1806-1880) (whose grandfather Jacob Rodrigue, 1715-1780, had left his native Estremadura for Bordeaux, to escape religious persecution, and, under romantic circumstances, had become the inventor of the deaf-and-dumb language) were followers of Saint-Simon's economic ideas. By setting up banks and building railways they amassed a fortune, without losing their enthusiasm for their socialist ideals. Ever since the opening of the Liverpool-Manchester railway which they had carefully studied, they had thought of covering France with a net of railways.

They knew that to overcome public opposition caused by ignorance or vested interests, a practical demonstration was indispensable; and in view of the great expense, it was essential to select a short route. For this reason the St. Germain route was chosen, and with the help of fellow-Saint-Simonians Emile surveyed the route, prepared the blue-prints and calculations and applied for the charter. In granting it, Adolphe Thiers, the Minister of Public Works, thought that "the line would never carry a person or a parcel — but the Parisians should have their toy". The bond of Frs. 200,000, which Pereire had to deposit, was provided by two other former Saint-Simonians (they hung together like Freemasons), Adolphe d'Eichthal and Auguste Thurneysen, who became charter subscribers. Emile and d'Eichthal persuaded James de Rothschild and Sanson Davillier, another banker of standing, to join them in the company which was capitalized at Frs. 5 m. Construction started at once under Emile's direct supervision. The work was carried out by Emile Clapeyron, Eugene Flachet and G. Lame,²³ the first two of whom were among those who had already made contributions, both theoretical and practical, to the art of railway-building.²⁴ In August 1837, four years after Emile had published his idea, the gala opening run took place.

The line became an immediate success, both from the financial and the "public relations" aspect. So the same "syndicate" took at once in hand the construction of a line on the right bank of the Seine to Versailles, via St. Cloud, the charter for which had already been obtained, this time in the name of the bank of Rothschild. The public had suddenly taken an interest in the railway business. Large transactions were soon to take place on the bourse, every two St. Germain shares entitling the holder to buy one Versailles share. Rothschild had subscribed 23,5% of the old issue like d'Eichthal, but held 32,4% of the new one, d'Eichthal only 16,2%; Pereire 2,78% instead of 6%.²⁵ At the same time the Paris public

²³Lévy-Leboyer, *op. cit.*, p. 15.

²⁴Rondo E. Cameron, *France and the Economic Development of Europe. 1800-1914. Conquests of Peace and Seeds of War*, Princeton, 1961, pp. 205-6.

²⁵Lévy-Leboyer, *op. cit.*, p. 663.

oversubscribed considerably within a few hours an issue of £ 50,000 (out of a capital of £200,000) of the line Frankfurt-Wiesbaden-Bieberich, which the Frankfurt houses of Bethmann Bros. and A. M. Rothschild & Co. placed in April 1837.²⁶

The line to Versailles was opened in August 1839. The joy was somewhat dampened by the fact that a charter had simultaneously been given to Benoît Fould, to build a parallel line to Versailles on the Seine left bank, which opened a year later, in September 1840. Some optimists, like the Cologne banker Abraham Oppenheim, had bought shares in both.

Now railway construction started in earnest. Several important lines were built by various groups. One of the most important lines, the Northern, connecting Paris with the Channel ports and Belgium, begun by the State, was conceded to a Rothschild company and opened in June 1846. It had been financed by an issue of Frs. 150 m. of which 5% were "bonus shares" for ministers, deputies and journalists. No wonder that "public opinion" favoured the enterprise.²⁷ It was held, as Landes puts it,²⁸ almost as a baronial fief.

IV. BELGIUM

In the summer of 1836 James Rothschild and Pereire had gone to Brussels to study the possibilities of and negotiate a charter for a Brussels-Paris line. Thiers was dissatisfied with the proposed financial conditions. Negotiations were reopened by Rothschild, but he failed, as Belgium's demand for duty-free import into France of the required materials was not accepted by the French.²⁹

On the other side of the frontier, an enlightened Belgian government, which understood the importance of the railways for the economic development of the country, had embarked in 1834 on the construction by the State of the main railway-network, which was completed in 1843. To carry out such a tremendous undertaking large amounts had to be borrowed, Frs. 150 m. were committed in the early stages. Here Nathan in London felt in his element: it was he and "The Family" who in 1834, 1837 and 1840 were able to provide a major part of the required funds. Nathan's sons and successors, Lionel and Anthony, were children of the railway age.

Having completed the main network, the Belgian government left the construction of secondary lines to private initiative. The line from Antwerp to Ghent was the object of the first private railway company in Belgium, (capital Frs. 4,7 m.) formed in Paris by Leopold Königswarter (of whom

²⁶*Ibid.*

²⁷Frederic Morton, *The Rothschilds. A Family Portrait*, Harmondsworth, 1964, p. 42.

²⁸Landes, *op. cit.*, p. 32.

²⁹Lévy-Leboyer, *op. cit.*, p. 624.

more later on), together with the concessionaire Gustave de Ridder who had built railways for the State. The line was opened in 1847, five years after the issue of the concession. It was a great financial success; dividends averaged 36% by 1860, a result unequalled by other Belgian lines.³⁰

Another distinguished figure in Belgium's railway history, whom Jenks³¹ calls a "railway magnate", seems to have been Senator Jonathan Raphael Bischoffsheim, the founder of the "Société Nationale des Chemins de Fer Vicinaux",³² in which probably his son-in-law, Maurice de Hirsch, had gained some valuable experience which he was able to turn to good use in his great projects of a later period.

The Paris Bischoffsheims had also a major interest in the William-Luxembourg Railway (*Chemin de fer Guillaume Luxembourg*), the original charter for which had been obtained by a Belgian banker, Adolphe Prost who in 1858 had failed. The company was reorganized under the management of Jules Van de Wynkèle, a former commercial director of the French Eastern Railway and under an operating contract with that line.³³

In 1863 the French Eastern succeeded in obtaining from the Netherlands State Railway Operating Company, then in financial difficulties, an operating lease on the Liège-Luxembourg (Liège-Hasselt-Eindhoven) railway, a Belgian company controlled by French capital. The French Eastern had agreed to the deal on condition that it might run its trains over the Dutch state lines from Eindhoven to Rotterdam, i.e. throughtrains from Basle to Rotterdam.³⁴

It was Baron Hirsch who, as Ludwig Bamberger remembers, saved this company which in 1859 (and not, as recorded, in 1865) was facing ruin. According to him the French company which had operated it hitherto, had dropped it for financial reasons. Hirsch, thereupon, went to Berlin and convinced Bismarck of the strategic and political importance of this line for Prussia, if operated under a Prussian traffic agreement. With this favourable Prussian reaction Hirsch hurried to Paris where under pressure of the government and its guarantee the French line entered into a new agreement, advantageous to the Luxembourg company.³⁵ For that "victory" Hirsch paid a price. As he was to find out in later years, Bismarck had never forgiven him.

While the London house of Bischoffsheim became unhappily entangled

³⁰Cameron, *op. cit.*, p. 308.

³¹Leland Hamilton Jenks, *The Migration of British Capital to 1875*, New York, 1927, p. 317.

³²P. Kauch, 'Jonathan Raphael Bischoffsheim', *Revue de Personnel. Banque Nationale Belgique*, Brussels, January 1950.

³³The French Eastern was one of the lines belonging to Pereire's *Crédit Mobilier* with which the Bischoffsheims repeatedly collaborated.

³⁴Cameron, *op. cit.*, pp. 310-1.

³⁵Ludwig Bamberger, *Erinnerungen*, Berlin 1899, pp. 163-5.

in the American railroad business (Erie), the French branch backed de Hirsch in his East-Hungarian railway scheme (1868), and had a modest interest in his great project of the Oriental Railways (1870).

V. MORE THAN "FIVE FRANKFURTERS"

The wide use of the nickname "the Five Frankfurters" in financial terminology no less than in Jewish lore, and its connotation, pointing both to the origin of the Rothschilds and to the continent-wide dispersal and collaboration of their houses, is likely to divert attention from the fact that there were a number of other houses among the money powers of Europe, largely from Frankfurt and also from some other places in South-West Germany. They conformed to the same pattern of evolution, though only the Rothschilds could maintain their traditional position, both in the financial as well as in the Jewish world.

Frankfurt in the eighteenth and nineteenth centuries was a banking centre like London and New York later on. In 1800 there were hardly less than a hundred banks in this city with a population of 40,000. In 1820, 55 of the leading banks, called *Handelshäuser*, were organized in their *Effecten-societät*, in 1845 there were 300. Many of them soon acquired European reputations such as the Dreyfus, Erlanger, Goldschmidt, Ladenburg, Riesser, Speyer, Schuster, Stern, Sulzbach, and Wertheimer, quite apart from the most famous, the Rothschilds.³⁶

The Rothschilds, indeed, had come to the fore rather late. In the eighteenth century the Frankfurt Jews had prospered and the 2,800 members of the community were assessed at fl. 6 m. But half of this fortune was owned by twelve families, headed by the Speyers (three branches) with fl. 604,000, followed by Reis-Elissen, Schuster, Kann, Goldschmidt, Wertheimer. Meyer Amschel Rothschild, with two other Rothschilds, appears in the eleventh place, with fl. 109,375.³⁷

While Frankfurt was the main centre where Jewish banking families gained distinction at the turn of the eighteenth century, there were some minor centres, too, like Fürth, where the Feuchtwangers, the Königswarters and the Wassermanns entered into the banking world. Half a century later we find these "dynasties" spread over the continent, operating branches or affiliated, independent banks in the important centres of Europe. The following table lists some of those German Jewish houses most of which were, among others, actively involved in the railway business.

³⁶E. Achterberg, *Frankfurter Bankherren*, Frankfurt/M., 1956, p. 8.

³⁷Eugen Meyer, *In Commemoration of the Frankfurt Jewish Community*, Jerusalem, 1965, p. 38. - In a Frankfurt directory of 1801 we find Jacob Baruch, Börne's father; Nathan Samuel Schuster, father of Sir Felix Schuster; Isaac Meyer Speyer as *Wechselgeschäft*; Mendle Moses Goldschmidt as Jeweller and *Bijouterie*. (*Ibid.*)

From:		Family Branches in				
Frankfurt	Rothschild	Frankfurt	London	Paris	Vienna	Naples
"	Erlanger	"	"	"	"	—
"	Stern	"	"	"	—	—
"	Sulzbach	"	—	"	—	Berlin
"	Goldschmidt	"	London	"	—	"
Fürth	Königswarter	"	Fürth	"	Vienna	Amsterdam
						Hamburg
Karlsruhe	Haber	Karlsruhe	London	"		
Mayence	Bischoffsheim	Frankfurt/ Antwerp/ Brussels	"	"	Amsterdam	

VI. GERMANY

What we geographically call Germany, was at the onset of the railway age broken up in a great number of independent states. Each one had its own railway policy, or none at all. Public opinion, as in Austria and France, was not always favourable to the new invention. Prussia's King Frederick William III, too, "could not see what great happiness could be derived from arriving in Potsdam a few hours earlier than otherwise". His postmaster, who had built up an efficient coach service on the well-developed road network, wondered who would patronize the railways, as even his coaches were only just about half filled.

The early railways were short-distance ones, usually connecting two neighbouring towns such as Berlin-Potsdam, built in 1838, Leipzig-Dresden built in 1840, etc.

The Rothschilds were here, too, among the first in the field. In 1838 they (Frankfurt), together with Bethmann, obtained a concession from the Frankfurt Senate for the *Taunusbahn*, a line to Wiesbaden on the right bank of the river Main (and in 1853 participated in its northern extension, the Nassau Railway). Barely had the *Taunusbahn* concession been granted, when it was threatened by a competing scheme for a line on the left bank of the Main, under a Hessian concession. But by allocating one third of the *Taunusbahn* shares to the Hessian Syndicate at Mayence, agreement was reached. (The Hessian line apparently was built in 1851.) In addition, the would-be grantor of the competing concession in Wiesbaden demanded a *Spende*, a contribution of 18,000 Florins, a demand which soon became customary.³⁸

The Rothschilds (Paris and Frankfurt) had been associated, too, since the early thirties with another house which made railway history *ab ovo*, that of Sal. Oppenheim jr. & Sons, Cologne, which financed (in 1836?) the line Cologne-Aachen, in 1843 extended to the Belgian frontier. This Prussian-Rhenisch (Rhein-Weser) Railway Co. had Belgian partners.

³⁸Achterberg, *Frankfurter Bankherren*, p. 43; Cameron, *op. cit.*, p. 228.

It was in 1837 that the *Société Rhénane* had been set up with a capital of Thaler 3 m. (Frs. 11.3 m.) divided into 12,000 shares, which a year later was increased by another 6,000 shares, i.e. Thaler 1,5 m. These were underwritten by Oppenheim and two other Cologne bankers. Owing to a depressed market, on which the shares of the Frankfurt-Mayence line had dropped from 150 to 128, there was no taking for the new shares, which eventually were bought by the Belgian government.³⁹ Oppenheim, as previously mentioned, also held shares in both the right bank and the left bank lines to Versailles.⁴⁰

We find Rothschild again, in 1855, in company with Hirsch, d'Eichthal and Bischoffsheim and the Bavarian *Staatsbank* in financing the *Bayerische Ostbahn A.G.* (Nürnberg-Regensburg, München-Regensburg-Passau).⁴¹ The *Bayerische Staatsbank* also placed, together with Rothschild (Frankfurt) and W. H. Ladenburg (Mannheim), the share and debenture issues of the *Pfälzische Eisenbahngesellschaft*. In the sixties Bleichröder (Berlin) and the *Disconto-Gesellschaft* joined this syndicate.⁴²

While the Rothschilds and other Jewish bankers probably participated in many more railway ventures, none of them in Germany had a greater share in the railway development than Bethel Henry Strousberg, to whose story we shall have to revert at greater length (chapter XI).

The collapse of the Strousberg concern enabled Bismarck to proceed with a plan he had cherished for some time: the nationalization of the Prussian, if not the German railway system. He used his banker Gerson Bleichröder to carry out this operation. In 1865 Bleichröder had been entrusted with a complicated financial operation concerning a participation of the Prussian state in the Cologne-Minden Railway Co.⁴³ Now, on the eve of the nationalization of the railways, Bleichröder was instructed to buy up the railway shares quietly on the stock exchange before prices rose unduly. As the resources of Bleichröder, who bought the shares and securities ostensibly on his own account, were insufficient for a transaction of such magnitude, he obtained the assistance of the Rothschild houses. With the successful conclusion of this operation, Bleichröder emerged as a major factor among the financial powers. It was, incidentally, Carl Fürstenberg,⁴⁴ who had operated in this business on the stock exchange.

³⁹Lévy-Leboyer, *op. cit.*, p. 660.

⁴⁰E. Achterberg/Müller-Jabusch, M., *Lebensbilder deutscher Bankiers aus fünf Jahrhunderten*, Frankfurt, 1964, p. 171 (henceforward cited as Achterberg, *Lebensbilder*).

⁴¹*Die Bayerische Staatsbank von 1780-1955*, Munich, 1955, p. 175.

⁴²*Ibid.*

⁴³Carl Fürstenberg, *Die Lebensgeschichte eines deutschen Bankiers, 1870-1914*. Hrsg. von seinem Sohn Hans Fürstenberg, Berlin, 1931, pp. 79-80.

⁴⁴Carl Fürstenberg (born Danzig 1850-died Berlin 1933) worked from 1872 successfully for Bleichröder but in 1883 became the leading director of the *Berliner Handelsgesellschaft* which he brought to a leading position in the banking world. For four decades or more Fürstenberg was practically identical with the *Handelsgesellschaft*. He had the reputation of being the wittiest man on the Berlin Stock Exchange, and innumerable

The German banks, Bleichröder probably among them, had been most active in railway financing in the beginning of the second half of the nineteenth century. Finding this field now severely restricted at home, they began to take an increasing interest in foreign railway finance, but the local investor had still to be "educated" to buy such securities. It was with this purpose in view that the house of Sulzbach Bros. in 1887 formed the *Eisenbahn-Renten-Bank* at Frankfurt, with the participation of Erlanger & Sons and the co-operation of Austrian and Hungarian banks. This new institute specialized in taking over securities of Hungarian local railways, and due to its success, Sulzbach in 1898 formed a second, similar institute, the *Eisenbahn-Bank*. Both ceased to exist after 1918.

Sulzbach specialized in foreign railway securities. In 1860 they took a decisive share in placing Russian government-guaranteed 5% railway bonds "for railways which would be difficult to find on the map",⁴⁵ and in the eighties they placed securities for railways in the United States, Canada, Brazil and Switzerland (the *St. Gotthard Bahn*).⁴⁶ Meanwhile another development was taking place: large German railway construction concerns had to take in payment securities of the lines built by them, or, with the backing of their bankers, had to look for concessions which they jointly exploited. Thus the banking firm of Jacob Landau and its associate, the *Nationalbank für Deutschland*, in 1873 formed the *Allgemeine Deutsche Eisenbahngesellschaft* in Berlin for the construction, operation, purchase, lease and financing of railroads, such as the one from Dessau to Cöthen. They controlled twenty such lines in Germany and five in Hungary.⁴⁷

The same group, which was close to the construction concern of Hermann Bachstein, in 1895 set up the *Vereinigte Eisenbahnbank Ges. Berlin*.⁴⁸ Another company of this type, also created in order to finance railways built by Bachstein in the Grand-duchy Baden and in the Essen district, was the *Süddeutsche Eisenbahngesellschaft*, which was set up by W. H. Ladenburg & Sons in co-operation with the *Rheinische Kreditbank*, Mannheim, whilst Oppenheim of Cologne, together with v. d. Heydt and the *Disconto-Gesellschaft* had founded, in 1895, the *Westdeutsche Eisenbahngesellschaft*, which backed the so-called Lenz group in foreign ventures, such as Egypt, as well.

Nor were the German bankers oblivious to developments abroad. Particularly after the German railway network had been completed in the

sayings of his were current there and frequently quoted. A few years ago, his son Hans published a booklet *Hundert Fürstenberg Anekdoten*.

⁴⁵Achterberg, *Lebensbilder*, p. 218.

⁴⁶*Ibid.*, p. 220; see also R. Liefmann, *Beteiligungs- und Finanzierungsgesellschaften. Eine Studie über den modernen Kapitalismus und das Effektenwesen*, 4th ed., Jena, 1923, p. 323.

⁴⁷Liefmann, *op. cit.*, p. 329.

⁴⁸*Ibid.*, p. 330.

seventies, and even before, foreign railway investments found an increasing interest on the German market. Here a word would not be out of place on the great share Jewish bankers had in the railway development of Europe as the heads of the great continental banking corporations; truly *sociétés anonymes*, as we know usually only the names of the institutions but not those of the men behind them who took the responsibility for the often risky decisions. Only where an institution was so closely identified with the personality at its head, as was the *Berliner Handelsgesellschaft* with Carl Fürstenberg during the years 1883-1929, can we consider the decisions as personal ones. The *Handelsgesellschaft* which had financed and had got into difficulties with a number of local lines, difficulties which Fürstenberg was to unravel, became a main issue house in Germany for Russian railway bond-loans, sometimes in co-operation with the "Russian railway king, Poliakoff".⁴⁹ Jointly with the bank of Robert Warschauer & Co. it financed the Transvaal Railway. In 1892 it set up the *Ostdeutsche Kleinbahn A. G.* and the *A. G. für Verkehrswerte* in order to finance undertakings of the Lenz concern, whose Egyptian business they backed together with the previously mentioned group. And they were particularly active also in American railway finance.⁵⁰

In Turkey, where Baron Hirsch had built his line from Austria to Constantinople in the seventies and eighties, it was Alfred von Kaulla, director of the *Württembergische Vereinsbank* (another offspring of Samson Wertheimer's) who had taken the original initiative in the *Bagdadbahn* scheme. And Bleichröder, with the *Société Générale*, and *Ottoman Bank* in 1896 had established the *Société Financière d'Orient*, Paris, for the construction of railways in Turkey.⁵¹

This record of the activities of Jewish bankers in the development of the German railway system is only a small selection of examples, but sufficient to show the great variety of forms which these activities took.

VII. BACK TO PARIS AND VIENNA

We now return to Paris and the partnership of Rothschild with the Pereires which was soon to come to a rather unexpected and spectacular end. While Salomon in Vienna, with his winning personality, knew how to surround himself with able devoted collaborators to whom he always liked giving due credit for their achievements, James in Paris, so it seems, made his collaborators feel their subordinate position. Moreover, his close ties with the house of Orleans did not make him a *persona grata* with the new régime of Louis Napoleon (from December 1851 to

⁴⁹Fürstenberg, *op. cit.*, p. 155.

⁵⁰See *Die Berliner Handelsgesellschaft in einem Jahrhundert deutscher Wirtschaft, 1856-1956*, Berlin 1956.

⁵¹Liefmann, *op. cit.*, p. 485.

1870) whose progressive ideas attracted the Pereires and the other followers of Saint-Simon, who quickly rallied around him.

Emile, the *pontifex maximus* of French railways, as Heinrich Heine had called him, had been James's right-hand man in the Paris-Versailles and the French Northern railways; Isaac became a director of the Paris-Lyons railway, for which a Rothschild concern had obtained the concession in 1846. When the brothers in 1852 organized the *Midi* railway company, at first with Rothschild's support, a break occurred and James's son Alphonse resigned from its board. Thus, bereft of the financial support for the new enterprise, the Pereires joined with Benoît Fould of Fould-Oppenheim, the brother of the Minister of Finance, and established the *Crédit Mobilier*, which soon became the prototype of banking all over the continent.

Among the subscribers to this new venture were the houses of Sal. Oppenheim jr., Cologne, and Salomon Heine, Hamburg. A nominal participation had also been offered to Rothschild, as a matter of custom and courtesy, but was rejected, either because the small amount appeared as an affront in view of Rothschild's principle of not joining any venture without holding a dominating share, or for the objections on principle to the scheme which James had put in writing before the Prince-President, though without avail.

Thus the break with Rothschilds had become final. For the next decade or so Europe became a battle-field of the two camps, struggling for railway and banking concessions.

It was in Austria that the Pereires had their first major victory. The financially hard-pressed Austrian government in 1854 had decided to sell the state-built railway lines. The Viennese anti-Rothschild bankers Arnstein & Eskeles and Sina, introduced in Paris by the equally anti-Rothschild Austrian ambassador, Baron Hübner, quickly succeeded in forming a syndicate with the Pereires for the acquisition of the northern lines, leading from the Saxonian frontier via Prague to Brünn, and from Marchfeld, 37 km. east of Vienna, to Hungary. They joined the *K.K. privilegi. Staatseisenbahngesellschaft* with a board of the Austrian and French partners.⁵²

⁵²The Austrian State Railway Co. acquired a line on the left bank of the Danube from Marchegg via Budapest to Szegedin, with an extension to Temesvar under construction; together with the Bohemian line a total of 950 km in operation and 112 km under construction. In the deal were included also twelve mining and metallurgical enterprises and large areas of forest. The new company bought from its partner, Baron Sina, the Vienna-Raab line (120 km), together with a locomotive factory. By 1877 the lines exceeded 2000 km, extending into Serbia, Rumania and Silesia. When in 1909 all railways were nationalised, the concern continued as a holding company always with a Pereire on the board until Hitler's take-over. - The Company was also entrusted with the operation of the Rumanian lines, built by Strousberg in 1870/71. It attempted, in the late seventies, to link up with the lines to Constantinople, built by Baron Hirsch, and to take over the construction of the planned lines through the Balkans,

And now Rothschild struck. The Pereires, through Baron Hübner, had proposed to the Austrian government to set up a *Crédit Mobilier* in Vienna. Anselm, who had succeeded his father Salomon as head of the Viennese house, acted swiftly, and in 1855 obtained a concession for establishing the *Creditanstalt für Handel & Gewerbe* for a group headed by the most illustrious names of the Austrian aristocracy, the Princes of Fürstenberg, Schwarzenberg and Auersperg, and led by him and the Prague banker Lämél. It was this new institution which in 1856 succeeded in buying from the state for 90 m. fr. the important Lombardo-Venetian lines, in competition with Pereire. A little later he joined forces with an Austro-German group to build the *Kaiserin-Elisabeth-Westbahn* from Vienna to Salzburg (of a capital of 65 m. Fl. the Paris and Vienna Rothschild subscribed 30 m. Fl.) while the Frankfurt house with support of Paris, as mentioned above, became a major partner in the 450 km. Bavarian *Ostbahn* (129 m. fr.)

Nothing succeeds like success. The Duke of Galliera, a member of the *Crédit Mobilier* board, who had gone to Italy to negotiate on behalf of Pereire for railway concessions there, obtained the concession and delivered it to Rothschild. (He subsequently resigned from the board of *Crédit Mobilier*). Thus the Rothschild group which included, apart from Anselm and the Duke of Galliera, Paulin Talabot and Edward Blount in Paris, Nathan Rothschild, Samuel Laing and Matthew Uzielli in London, the *Creditanstalt* group and six Italians, now had in Lombardo-Venetia and Italy a network of 1,071 km., of which 414 km. were in operation. (791 km. within the Austrian frontier).

Now it was Pereire's turn to move. He obtained a concession for the *Franz-Joseph Ostbahn*, connecting Belgrade with Poltschach (a station on the *Südbahn*), thus connecting also Budapest with Trieste, a network of 1,200 km. The concession also included coal mining and land rights, as well as a pre-emption on all new lines south of the Danube and east of the *Südbahn*. Though there was an identity of shareholders and directors, the right to merge the new company with the *Staatsbahn* was refused.

At the same time, in 1856, Talabot for the Rothschild group obtained a concession for the line Steinbrück-Agram-Sissek; and the Oppenheims, who apparently joined the group subsequently, the concession for the line Marburg-Klagenfurt-Villach, to be extended later on to Brixen in Tyrol and from there to Verona in the south and Innsbruck in the north. The syndicate Rothschild-*Creditanstalt* etc. had now to mobilize 162.5 m. fr.

At that moment the Austrian government stopped the granting of further concessions, until the market could absorb all the new issues. In 1855/56 concessions had been granted for a total of 4,000 km.,

but failed in this scheme. Pereire was anxious to acquire the *Südbahn* and the Lombardo-Venetian network from the Austrian government in order to run through-trains from Paris to Constantinople.

JAMES ROTHSCHILD



SALOMON v. ROTHSCHILD
with a map of the Austrian railway project

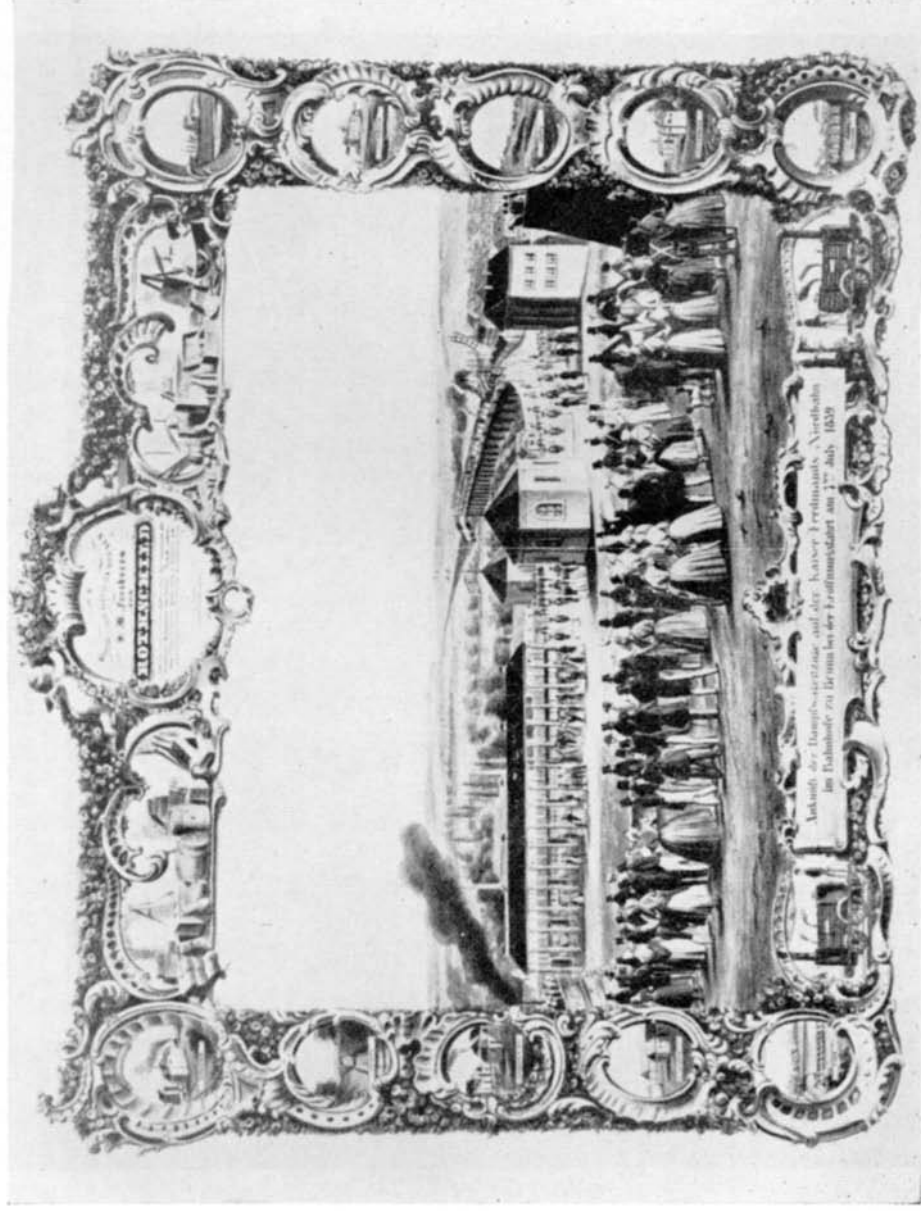


EMILE PEREIRE



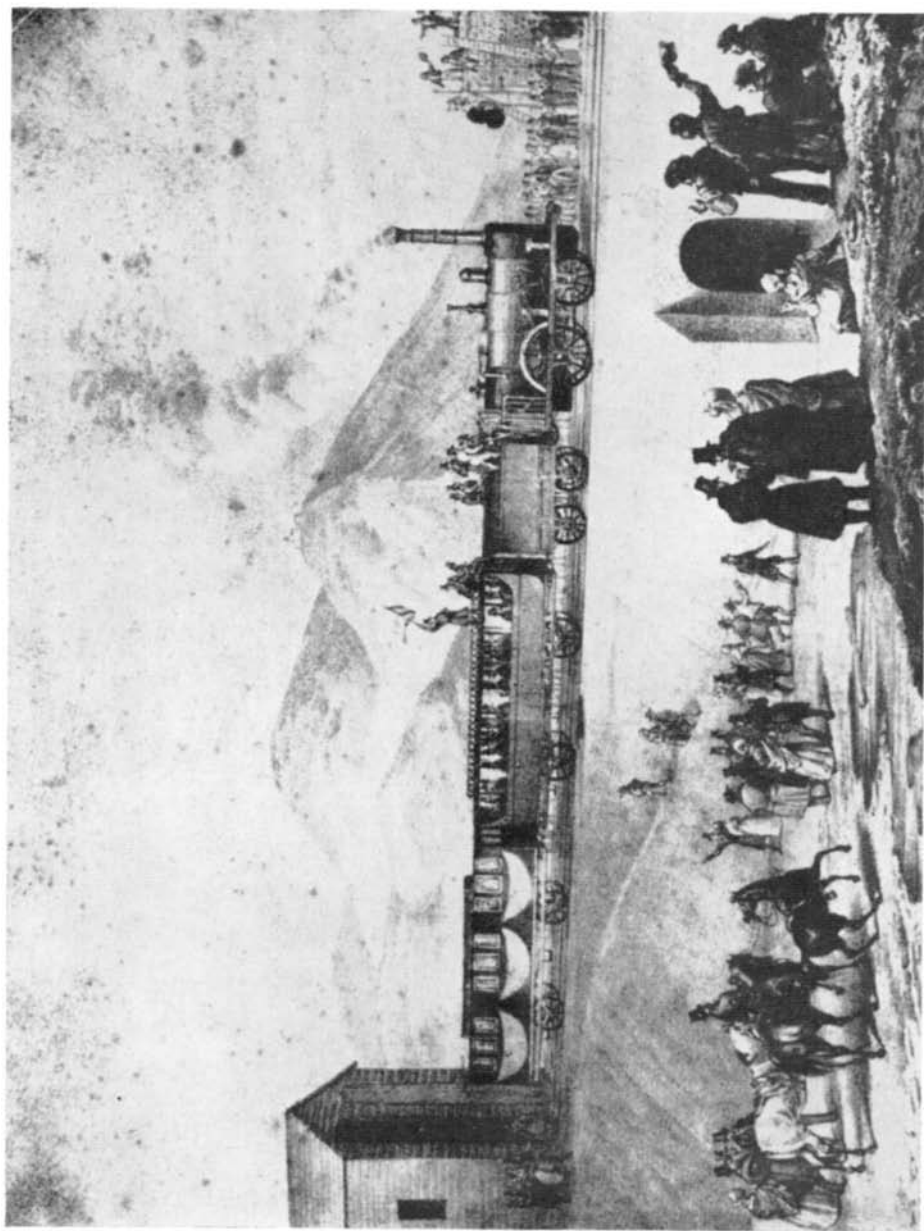
ISAAC PEREIRE





Souvenir printed for Salomon v. Rothschild on the occasion of the opening of the Kaiser Ferdinands-Nordbahn on the 7th July 1839

Experimental ride on Salomon v. Rothschild's Austrian Railway, 1839



i.e. double the hitherto existing lines, with a capital requirement of about 1,500 m. fr., half of which was provided from France. This step of the Austrian government came just in time, because in 1857 the depression spread from the United States to Europe; the bank-rate in London and Paris rose to 10 percent and share prices dropped.

The *Franz-Joseph Ostbahn*, with a paid-up capital of 30%, was unable to call up the balance and had to ask for a modification of the concession. The network was reduced to 550 km: a main line from Budapest to Pragerhof on the *Südbahn*, with one branch to Wissenburg and another to Komorn.

The Government decided to put all southern lines into one strong hand, i.e. Rothschild; Talabot, in summer 1858, signed on behalf of this group the agreement for the purchase of the *Südbahn*, plus all the lines under construction or planned in Styria, Carinthia, Croatia and Tyrol at 250 m. fr., i.e., less than half of the cost. The *Südbahn* Company acquired from Pereire the *Ostbahn* shares for 192,000 bonds, valued at 52 m. frs.

The new *Südbahn* concern, with a capital of 375 m. fr. and the right to issue 750 m. fr. bonds, now controlled a net of 3,000 km., of which 1,400 were in operation and 1,200 km. under construction. Of the ca. 1,000 m. fr., 600 m. frs. were provided from France and smaller amounts from Britain and Switzerland. French technicians and administrators soon made the enterprise highly profitable.

In 1858 the Semmering Pass was opened, in 1867 the Brenner Pass, fourteen years before the Gotthard Tunnel. Thus Rothschild had a monopoly in the German-Italian routes.

VIII. ON THE FRINGES

Till this moment, the Rothschilds had already control of the Paris-Vienna connection, though not a convenient one, through the Rhenisch railway from the Belgian frontier via Aix-la-Chapelle (Aachen) to Cologne. Their French Northern from 1855 ran a through-service to Liege, after a connecting service via the Belgian State railways had been initiated in 1846. We have already mentioned their interest in a number of other German lines, such as the Taunus Railway (1838), the Frankfurt-Wiesbaden line and the Nassau Railway (1853), which gradually combined in a West-German network.

It was only with the opening of the *Westbahn* in 1860 that a more direct connection with Vienna, also under Rothschild control, was established. Pereire's attempts to break into the German market by buying the Bavarian State railway, were without avail.

Meanwhile, the rivalry continued in Switzerland and Piedmont. In Switzerland it was a chess-game, every move from one side followed by

a counter-move from the other. The game ended in a stalemate and the Swiss railways eventually became an enterprise of the Federal government.

Thus the connection of France eastward with Austria via Northern Italy, gained in importance, particularly after the merger in 1857 of Rothschild's and Talabot's lines into the Paris-Lyon-Méditerranée, while Pereire concentrated on his Pyrenean network. And now the competition spilled over westward into Spain. Here Pereire built the Bordeaux-Madrid line, organized as the North of Spain Railway Co. in 1858 (with the Duke of Galliera and Baron Seillière on the board), while Rothschild controlled the Madrid-Alicante and Madrid-Saragossa (MSA) lines through his Spanish Mercantile & Industrial Co. Here in Spain Rothschild encountered another competitor, the questionable but colourful character Jules Isaac Mirès.⁵³ (By 1914 Spain had 11,378 m. 85% thereof built by French concessionaires. Of the investment of 3,600 m. fr., 60% was French).

In contrast to the sharp competition for railway concessions in Western and Central Europe, there was no competition whatsoever between the two rivals in one of the largest areas open to railway development, in Russia. James had visited Russia in 1856, and after a short look around, was satisfied with a lease on the line from Warsaw to the Austrian frontier, where it joined the *Kaiser Ferdinands-Nordbahn*. Otherwise he left the field free for Pereire.

Pereire, indeed, was more optimistic and contracted with the Russians for a network of 4,000 km. at a cost of 1,000 m. fr., in company with the bankers Stieglitz of Petersburg, S. A. Fraenkel of Warsaw, the Barings of London, Hope of Amsterdam, Mendelssohn of Berlin and the Parisian houses of Hottinguer, Mallet frères, Fould, d'Eichthal, Seillière and others, a galaxy of Europe's finance houses. The company soon ran into difficulties with the local conditions, a hostile administration, etc., very much reminiscent of those which Strousberg was to encounter fifteen years later in Rumania. A reduction in the mileage of the concession had to be applied for and was granted, though under less favourable conditions. Finally in 1894 the Russian government had to take over the enterprise. More successful were the Poliakoffs,⁵⁴ who built a number of lines, particularly one to the Rumanian frontier, while Baron Hirsch⁵⁵ had an interest in the Moscow-Ryazan railway.

IX. "A HEADY BORDEAUX"

JULES ISAAC MIRÈS

Though, no doubt, a rogue, Jules Isaac Mirès (born Bordeaux 1809,

⁵³See chapter IX below.

⁵⁴See chapter X below.

⁵⁵Kurt Grunwald, *Türkenhirsch. A Study of Baron Maurice de Hirsch, Entrepreneur and Philanthropist*, Jerusalem 1966, pp. 20, 24.

died Marseilles 1871) was certainly one of the most colourful personalities among the entrepreneurs in the middle of the nineteenth century; his arrest in 1861 resulted in a financial crisis reverberating from Constantinople to Paris and London.

The two decades between 1841, when he arrived in Paris from Bordeaux, thirty-two years old, till his arrest in February 1861, saw the spectacular rise of a little scandal-sheet journalist to the position of a financial power which dared to challenge the Rothschilds, and, as father-in-law of the Prince de Polignac, and business associate of the Duc de Morny, the half-brother of Napoleon III, to the membership of the Emperor's councils.

He was a most resourceful gentleman, who, when sentenced to five years' imprisonment for fraud, succeeded in having the verdict set aside in 1862 in a new trial that was marked by bribery and an effective press campaign, topped by the publication of his eloquent autobiographical pamphlet *A mes Juges*, in which he tried to prove his alleged innocence.

His "literary gifts" were quite lucrative at the beginning of his career: in his native town, he had published a "boulevard paper", recording in detail obituaries to which he always added the name of the doctor who had attended the deceased. This journal, apparently, was not very popular among the medical profession in Bordeaux and Mirès, disposing of it most profitably, was able to move to Paris, by no means a pauper.⁵⁶

Here success was slow in the beginning, "dabbling as he did in minor affairs on the *Bourse* and living by his wits". But in 1848 his chance had come when he could acquire for very little money the *Journal des Chemins de Fer*, which had been published by a British journalist who had left Paris on the outbreak of the February revolution. Mirès had to borrow for this purchase 1,000 francs from one Moise Millaud⁵⁷, and resumed publication in October. The *Journal*, as Morton tells the story, now started vividly reporting railway mishaps, frauds and atrocities. Its voice grew louder and louder, and Mirès richer and richer, selling his selected silences.⁵⁸

According to Cameron⁵⁹, the paper which under its previous owner, F. E. Whitelock, had built a reputation for reliable reporting of both technical and financial developments in railways and other important industries, now concentrated largely on the purely financial side of in-

⁵⁶Morton, *op. cit.*, pp. 107/8.

⁵⁷Moise Polydor Millaud (1813-1871), born of poor parents, made his way as journalist and newspaper owner; became Mirès' partner in J.d. Ch. d. F. and *Conseiller*, as well as in the two *Caisses*. He retired in 1853 from this partnership, after each one had cleared fr. 3m. He continued as newspaper editor and publisher with some success and his house was a social centre in the Second Empire. Eventually he lost most of his money.

⁵⁸Morton, *op. cit.*, p. 105.

⁵⁹Cameron, *op. cit.*, p. 131.

dustry, and was directed particularly at provincial readers and potential investors, for whom the paper acted as broker for stock-market transactions in Paris. To supplement this obviously most profitable "service" to his readers, Mirès in 1850 organized the *Caisse des Actions Réunies*, an "investment trust", a commandite with a capital of 5 m. fr., primarily, it seems, for speculating in the securities which the *Journal* trumpeted or denigrated.

Stimulated possibly by the success of that other son of Bordeaux, Pereire, in the formation of his *Crédit Mobilier*, Mirès in 1853 reshaped his investment trust into the *Caisse Générale des Chemins de Fer*, and in 1856 raised its capital to 50 m. fr.⁶⁰ In the name of this organization he undertook coal-mining and iron working ventures in the south of France, obtained port-development contracts and a concession for gaslighting in Marseilles, for railways in the Papal States (1855) and Spain (1860). He competed successfully with the Rothschilds for the underwriting of a Spanish loan (1857). (It is said that his downfall and arrest in 1861 was due to the manipulations of the Rothschilds whose path he had unwisely crossed).⁶¹

It was in 1855 that a group of Roman noblemen obtained a charter from the Papal government for railway lines from Rome to Civitavecchia and to Ancona and Bologna. This group joined with Mirès' *Caisse Générale* in forming the *Pio Centrale* or Roma Railway Company. In spite of an inauspicious start and subsequent financial difficulties, the 85 km. line to Civitavecchia, started in 1856, was completed early in 1859. By a merger with the *Pio Latina* the conceded network was increased to 750 km.⁶²

It was also at that time, in December 1857, that the Spanish government raised a large loan in Paris through Mirès, of which Cameron says that "actually, after deduction of commissions and other costs, the Spanish government received only 35.5 percent of the nominal value; but had it not been for Mirès' determined competition with Rothschild for the privilege of underwriting the loan it would not have received that much".⁶³ It is not surprising, therefore, that we find Mirès interested also in the Spanish railways. In 1860 he appeared among the bidders for a concession for the line from Manganares to Cordova, though without success.⁶⁴ In December 1859 he had concluded an agreement with Don

⁶⁰His success with the *Journal des Chemins de Fer* may have encouraged him to buy in 1851/52 two unofficial organs of the imperial government, *Le Pays* and *Le Constitutionnel*. Was it perhaps to ingratiate himself in the right quarters? Anyhow, as Cameron sees it (*op. cit.*, p. 131), any special advantages he may have hoped those investments would bring him, apparently did not materialize.

⁶¹Morton, *op. cit.*, p. 126.

⁶²Cameron, *op. cit.*, p. 286. As Cameron points out, it is curious that Rothschild who had been the principal banker (lender) to the Holy See for thirty years, had apparently made no effort to obtain railway concessions from the Pope (*ibid.*, p. 285).

⁶³*Ibid.*, p. 410.

⁶⁴*Ibid.*, p. 258.

Jose Salamanca for forming a company to operate the railway from Saragossa to Pamplona. This line was actually opened in September 1861, with Mirès behind bars, and substituted by other shareholders.

It was in the process of issuing an urgently needed loan of nominally 400 m. fr. to the hard-pressed Turkish government that Mirès was arrested.⁶⁵ Thus the astonishing career of Jules Mirès ended dramatically.

X. POLIAKOFF, THE "RAILWAY KING"

It was the Crimean War of 1856 which had made both warring parties aware of their economic backwardness and of the need for a modernization of their economies, for which the opening up of their vast countries by railways was a precondition. Both Russia and Turkey lacked the capital required and particularly the machinery to mobilize this capital at home and abroad, i.e. a modern banking system.

In Russia a number of reforms under Alexander II had helped to get things moving. In 1860 the State Bank was established. Reforms, modernizing every facet of Russian life, culminated in the emancipation of the serfs in 1861. As to the Jews, their improved legal position gave them a chance to use their specific ability in the application of the methods of modern capitalism, as well as their international connections, for the benefit of economic expansion. In a short time they emerged as owners or managers of a great number of newly-established banks in Petersburg, Moscow and Kiev which were able to mobilize locally and abroad, largely in co-operation with Jewish bankers in Berlin, Paris and London, the large sums required for investment in railways and industry. But not only as financiers of the railway development did they distinguish themselves, but also as efficient entrepreneurs, whether as contractors or as concessionaires.

It was a spectacular "entrepreneurial explosion" in the ghettos of Russia which followed Alexander's reforms. Not enough material is available to subject this fascinating group, the new entrepreneurial class, to a thorough sociological study. We have only scanty information on some of these men and their background. Thus the head of the Discount Bank in Petersburg, His Excellence (Privy Councillor) J. J. Sack, whom Fürstenberg⁶⁶ considered one of the very great bankers, came from an extremely poor home. He had been expelled from the *Yeshiva*, when he was found studying English and French grammar secretly at night.⁶⁷

⁶⁵Among other crimes Mirès was accused of selling shares held as security for advances when quotations were high, without informing the owners and calling for increased margins when prices dropped, often making fictitious sales at low prices and suing the former owners for the balance (Cameron, *op. cit.*, p. 292).

⁶⁶Fürstenberg, *op. cit.*, p. 109.

⁶⁷Fürstenberg's reminiscences of the musical soirées on Friday nights at Sack's house in Petersburg remind us of the observation of the by no means over-philosemitic Frances Trollope in her (1838 published) letters from Vienna to the effect that good music

It was from a similar background that the Poliakoff brothers came, whose name, like that of the Rothschilds, was to become enshrined in Jewish lore.⁶⁸

Building railways in Russia was not a simple business. The Rothschilds, after sounding the ground, had kept aloof of it, while the Pereires who went in, had to be bailed out eventually. Only Baron Hirsch's line, from Moscow to Ryazin, was one of the few financially successful ventures of foreign enterprise in this field.

It was Samuel Poliakoff who was to become known as the "Railway King of Russia". The five lines owned or controlled by him, represented at one time a quarter of Russia's total railroad mileage.

Samuel Poliakoff and his two brothers were to become prominent figures not only in the Russian Jewish community, but in the Westernization of the Russian economy. We know very little of their career and their emergence from the little White-Russian *Stetl* where they were born, Dubrovna, a townlet near Orsha, in the district of Mohilev. Their father Salomon eked out a meagre living as a petty trader in a district in which the then primitive textile industry was well-established as a home-industry by which hundreds of Jewish handloom weavers earned little more than their bread.

While the Jewish encyclopedias record of his two brothers — the older one Jacob (1832-1909, Biarritz), and the younger one, Lazar (1842-1913, Paris) — only their latter-day achievements and prominent positions, of Samuel (1837-1888, St. Petersburg) Wininger's Jewish National Biography⁶⁹ only tells us that his parents were poor, that he went to the local *Yeshiva* and was trained to be a *Shochat* (a ritual slaughterer), that he married early, a girl without means, and that he made a living by working hard on odd jobs with various suppliers and timber-merchants, until he achieved a respected position. Another source⁷⁰ informs us that he, formerly a plasterer in Kiev, in 1861, presented himself, in full Jewish regalia (sic!), before the management of the Moscow-Yaroslavl Railway requesting a contract for the transportation of rails. But by 1862 he was coal supply contractor for Moscow's Waterworks pumping stations. Subsequent minor contracts for highway construction brought him in contact with the Senator (later Count) Ivan Tolstoi, Minister of Post and Telegraphs (1865-67) who entrusted him with the management of post-stations on his estates (in the Kharkov governorate).

was to be heard at the soirées in the homes of the Jewish banker knights, and not in the palaces of the high society, which looked down on them.

⁶⁸Cf. for instance Maurice Samuel, *The World of Sholom Aleichem*, New York, 1947, pp. 97-100.

⁶⁹Winingers *Jüdische National-Biographie*, Vol. V, Cernauti, n. d. [1928?]. (This source erroneously declares Samuel Poliakoff to have been born in Arsha, Lithuania).

⁷⁰Westwood *op. cit.*, p. 71 (based on A. Delvig's memoirs, published in Russia 1912/13).

Slightly different is Count Witte's version⁷¹ according to which Tolstoi had met Poliakov as a tenant (leaseholder) of some post-stations on the road along which he used to travel. Poliakov rendered some services to Tolstoi who in turn helped him to set out on a career ending in his becoming one of the most famous railway magnates and founder of a dynasty.⁷²

Anyway, soon after making his acquaintance, Poliakov had the means to become the supply contractor for the Ryazan-Kozlov Railway construction (1866). This brought him together with the engineer-speculator von Meck and, through Tolstoi's intervention, he obtained the concession for the construction of the Kozlov-Voronezh line (opened 1869). This was the beginning of a series of contracts or concessions: from Voronezh to Rostov (completed 1871), where it met with Poliakov's lines from Orel-Kursk-Kharkov-Taganrog-Rostov, thus completing a most important central Russian railway network.

Some of these contracts Poliakov had obtained although his bid was higher than that of his competitors, as for instance the tender of 17 July 1869 for the construction of the Voronezh-Rostov line. But because of his efficiency he had the backing of the - usually anti-Jewish - army authorities. In 1869 he had completed the construction of a 763 verst long railroad from Kursk to Taganrog in ten months from the date of the contract - an unprecedented record.⁷³

Poliakov seems to have been less successful as a manufacturer of rails. In the early seventies the government, in order to promote local rail production, granted concessions for rail-rolling mills to three Russian and two British entrepreneurs. But only one, the Welshman John Hughes, was successful in his plant at Novorossisk.

Poliakov had become the "Railway King", the owner of factories, estates and a palatial residence in St. Petersburg. Wininger states that among his thousands of employees and workers there were only few Jews and most of his large charities were for non-Jewish purposes, in contrast to Baron Günzburg's, and even to Poliakov's own brothers. Only after the pogrom of 1881 did he change the direction of his gifts. He gave 2 million roubles for setting up the ORT organization for the promotion of agriculture and artisan-training among the Jews; and half a million for a Jewish theological academy at Petersburg. He also built a hostel for

⁷¹'Memoirs' (Russian text), vol. III, Berlin 1923, p. 107.

⁷²Professor Constantine de Grunwald (to whom the present author is obliged for the references to the Russian sources) who in his *Le Tsar Alexandre II et son temps*, Paris, 1963, p. 248, speaks of Poliakov as holder of advantageous concessions, suspects that he had already a banking firm in Moscow which enabled him to mobilize the required capital for his undertakings.

⁷³H. Landau, 'The Share of Jews in the Development of Credit and Transport in Russia' (Yiddish), in *Schriften für jüdische Wirtschaftskunde*, Wilna 1932. - One verst equals about 1.4 km.

Jewish students at Petersburg University, and, apparently jointly with his brother, a synagogue there. His gifts, at least in one case, caused some acute embarrassment. At the opening ceremony of the "Emperor Alexander II College", which Poliakoff had built, the majority of the students revolted against the presentation by some of their colleagues of an address of thanks to the (Jewish) donor.⁷⁴

Samuel Poliakoff was made a Privy Councillor, which position conferred upon him automatically the title of nobility. He was offered the Finance Ministry by Pobedonostsev, but declined this offer, as it was conditional on his conversion. Attending G. H. Q. during the Russo-Turkish war, 1877/78, when his railway lines facilitated the rapid mobilization of the army, Poliakoff wore the general's uniform to which his rank of Privy Councillor entitled him. Here one of the officers — so the story goes — jestingly apologized for getting confused as to whether to address Poliakoff as Samuel Salomonowicz or Salomon Samuelewicz, whereupon Poliakoff calmly advised "call me simply Your Excellency".

His older brother Jacob was engaged in general trading until he became active (apparently jointly with Samuel) in railway construction. He was co-founder of the Commercial Bank of Asuv-Duni, the Agrarian Bank of Duni and other banks. Because of his charitable actions he was made a Freeman (hon. citizen) of Taganrog, where he headed the Jewish community. Later on he moved to St. Petersburg where, too, he served on the council of the Jewish community and where he became vice-president in Russia of ICA, the Jewish Colonization Association, London, which Baron Hirsch had set up in 1891. He died in 1909 in Biarritz, bankrupt.

The youngest brother, Lazar, was, it would seem, the crown prince of the railway-king Samuel and was actually by some historians erroneously identified with his brother or considered as *the* railway-king particularly as he carried on the business in Samuel's last years and after the latter's premature death in 1888.

Lazar was president of the Jewish community in Moscow, where he had built two large synagogues. He also established, in support of the Jewish weavers in his home district, a textile factory, the Dnepr-Manufacture.

The "all-powerful Poliakovs"⁷⁵ i.e. Samuel and his brothers, according to Witte⁷⁶ played an important role in the financial life of Moscow and enjoyed great popularity there. No wonder that Jewish lore had "adopted" them. Leo Tolstoi in his *Anna Karenina* gave a portrait of Samuel in the great Jewish financier Bolgarine.

However, it was a short-lived glory. With the strengthening of the Russian economy after 1892, when Witte became Minister of Finance, and the

⁷⁴Count D. Milioutine (former Minister of War), 'Diaries' (Russian), vol. IV, Moscow, 1950.

⁷⁵Witte, *op. cit.*, vol. II, p. 428.

⁷⁶*Ibid.*, vol. III, p. 106.

establishment of stronger financial organizations, the Poliakoff banks, like many other private banks, lost much of their importance and the crisis of 1900 put a fullstop to their history.

While Jacob Poliakoff had died a bankrupt in 1909, Lazar apparently was able to carry on and we still find his son, I. L. Poliakoff, in 1917 as chairman of the Moscow Agrarian Bank, and as a board member of Moscow's Municipal Tramway Co. and of the Telephone Construction Co.⁷⁷ His brother, Wladimir Lazarevitch Poliakoff, a graduate of the famous French *Ecole des Ponts et Chaussées*, acquired some reputation in the inter-war period in London as a writer and correspondent of leading journals, such as "The Times", under the pen-name "Argus".

Poliakoff was the most prominent — though not the only — Jew engaged in the railway business in Russia. While he distinguished himself as a most efficient contractor and entrepreneur in actual construction, others restricted their activities mostly to the financial aspects of the business. Thus we have a long list of Jewish names, largely bankers, engaged in this field of activity. The previously mentioned head of the Petersburg Discount Bank, J. J. Sack, for instance, built and operated the Libau-Romanov line; (Baron) Rosenthal and M. Weikersheim the line from Kishinev to the Rumanian frontier; Kronenberg the Warsaw-Taraspol railway. Others co-operated with foreign partners: Warshavsky joined with Friedländer in the Moscow-Brisk line; Sulzbach (Frankfurt) with Russian partners in the Moscow-Smolensk railroad while Bleichröder (Berlin) built the Kiev-Brisk railway, and there were many more.

Among them the Petersburg firm of Ludwig Stieglitz & Co.⁷⁸, though no longer Jewish at that time, is of particular interest as a pioneer of modern banking in Russia. Ludwig Stieglitz (1778-1843) who had come from Arolsen (S. W. Germany), settled in Russia at the end of the eighteenth century, he became Court Banker and Baron in 1826. His father Hirsch Bernhard Stieglitz had been the Court Jew (*Hof- und Kammeragent*) of the Prince of Waldeck. It was his son Alexander (1814-1884) who had succeeded in raising abroad the first large loan of 50 m. rouble for the construction (1843-1851) of the Petersburg-Moscow Railway. And he, like Fraenkel of Warsaw, the Barings of London and the rest of the "non-Rothschild" banking aristocracy of Europe, had joined Pereire in 1857 in the *Grande Société des Chemins de fer Russes*.⁷⁹ In 1868 this then apparently still powerful concern had acquired from the Treasury the important Petersburg-Moscow Railway. Poliakoff, too, had formed a syndicate with Prince Gagarine and Count Levadov and had invited also a

⁷⁷I. F. Girdin, 'The Russian Commercial Banks' (Russian), Moscow, 1948, p. 131.

⁷⁸Cf. B. F. von Maydell, *Die Stieglitz aus Arolsen, ihre Vorfahren und ihre Nachkommen*, Neustadt, 1956.

⁷⁹Cameron, *op. cit.*, pp. 276-7.

former Minister of the Interior, P. A. Valonov in order to buy this railway from the government. Valonov, who recalls this incident in his memoirs, speaks of Poliakoff as the builder of the Moscow-Voronezh railway.⁸⁰

There were, according to Westwood⁸¹, among the "Railway Kings" of Russia three groups to be distinguished: older men who had entered the railway business after having made their fortune in other business (for instance, Benardaki of the Moscow-Yaroslavl line in the Siberian liquor trade); professional bankers, like Bliokh and Utin who presided over the lines they financed; and finally the new generation which made its fortune entirely in the railway business. Of these Poliakoff was the predominant figure.

XI. BETHEL HENRY STROUSBERG

Today almost forgotten, but in his day one of the most disputed personalities among the great entrepreneurs, was Bethel Henry (originally Bartel Heinrich, as he claims, or Baruch Hirsch, as others state) Strousberg (orig. Strausberg?) who was born in 1823 in Neidenburg. He amassed within a few years a fabulous fortune in railway construction in Germany in the 1860's, and he lost it equally quickly in the seventies in his attempt to build railways in Rumania, which in 1866 had achieved a quasi-independence. He died a pauper in Berlin in 1884.

"The very same papers which yesterday spoke of him as a genius in enterprise, as the great humanitarian, as the railway-king, now called him the lowest type of speculator, a swindler par excellence. Was he really all that? Has anyone been able to prove it?"

These are the concluding lines of a short note on Strousberg which one is surprised to find in *Wurzbachs Biographisches Lexikon*⁸², because this publication was restricted to include only personalities from the countries under the Austrian crown. But as the editor explains, Strousberg "dieser in jeder Beziehung merkwürdige Mann" deserved inclusion by having built the Hungarian *Nordost Bahn*, and as owner of the princely *Montandomain* of Zbivov near Prague (palace, forests, furnaces and mines) and as a preoccupation for a while of the Viennese press of that time.

Another contemporary, too, Ambassador von Radowitz, at that critical time German Consul General in Bucarest, said of Strousberg that "he was not just an ordinary, and certainly not a bad man. He would have probably realized his great projects, had not the [1870/71] war overturned him".⁸³

⁸⁰P. A. Valonov, 'Journal' (Russian), Moscow, 1961, p. 228.

⁸¹Westwood, *op. cit.*, p. 70.

⁸²*Wurzbachs Biographisches Lexikon*, Vienna, 1880.

⁸³Joseph Maria von Radowitz, *Aufzeichnungen und Erinnerungen aus dem Leben des Botschafters Joseph Maria von Radowitz*, Hajo Holborn, ed., 2 vols., Stuttgart, 1925, vol. I, p. 201.

Reading the most recent treatise on Strousberg, Herbert Michaelis' fifty odd pages in the national-socialist *Forschungen zur Judenfrage*⁸⁴, one is reminded of the intended curse of Bileam which turned into praise, because through the thin veneer of the verbose and denigrating Nazi phraseology transpires the author's admiration rather than his contempt.

G. v. Schultze-Gaevernitz who speaks of Strousberg as "the East-European Jew with a doctor title of unknown origin, the ingenious swindler"⁸⁵, states that in those days the foundation was laid for "Germany's position as creditor, which development was forcefully pushed by Strousberg's Rumanian venture".⁸⁶

Or as Emden puts it:

"It is a curious thing that in all countries railways seem to have exercised a mysterious fascination for the financial amateur, and for the next inferior species. There is no branch of business... where swindling on a major and a minor scale has raged more furiously, and so it came about that the strongest impetus to the opening up of new railway lines in Germany and in Eastern Europe was given by a man like Strousberg... Contractor and financier in one, ... Strousberg used inferior materials, enriched himself where and how he could, was a daring speculator, and yet in spite of these drawbacks he has done more for the building of new railways on the Continent than several boards of reputable bankers put together."⁸⁷

Who was this man Strousberg who, as even his critics admit, had such a powerful positive impact on the contemporary economic scene?

In his autobiography he deals at length with his ancestors whom he pictures as a kind of rich, landed gentry with estates on both sides of the frontier; the saintly grandfather; the gifted father who speaks several languages fluently, fond of art and music, daring on horse-back and an officer in the Napoleonic war, but less successful in his export-business which seems to have been run by his mother until her early death. A great-grandfather, according to an unconfirmed rumour, was ennobled in 1786 by the Polish king.⁸⁸ As Prussian *Schutzjuden* only they and their retainers had before 1812 the right to settle in Neidenburg.

It is irrelevant whether Strousberg was, as was said,⁸⁹ the son of a petty trader from Poland, or the scion of a distinguished family who "could not engage in the kind of petty trading which the *Schacherjude* had translated into big business, they abhorred engaging in usury". And because of their loyalty to their religion, government positions were closed to

⁸⁴Herbert Michaelis, 'Bethel Henry Strousberg', *Forschungen zur Judenfrage*, vol. VIII, Hamburg, 1943, pp. 81-133.

⁸⁵v. Schultze-Gaevernitz, *op. cit.*, p. 39.

⁸⁶*Ibid.*, p. 35.

⁸⁷Paul Herman Emden, *Money Powers of Europe in the 19th and 20th Centuries*, London, [1938], pp. 108-9.

⁸⁸*Dr. Strousberg und sein Wirken. Von ihm selbst geschildert*, Berlin, 1876, p. 18.

⁸⁹Michaelis, *op. cit.*, p. 84.

them.⁹⁰ As usual, by living on a “commensurate level”, exceeding income, the family fortune was gradually squandered. His emphasis on this family background is significant, indicative as it is for a craving for status. And although he devotes a few pages to the unjustified discrimination against Jews, he himself implicitly dissociates himself from the *Schacherjuden*.⁹¹ He was brought up by his father in the belief of belonging to a higher class of society and with the desire to achieve great things, so as to restore the splendour of the family.⁹²

His father died when he was twelve. In school at Königsberg at that time, he decided to go abroad, where, free from the restraining considerations at home, he “could prepare himself for his mission”.⁹³ Thus he went, in 1835, to London where his mother’s brothers owned an *Import-Export* house, “of the first rank”, as he emphasized. There he learned all branches of the business and the economic conditions of the overseas markets. He used his spare time and pocket money to study economics and commercial policy. After a while (his autobiography is distinguished by the almost complete absence of dates) he started supplementing his income by contributions to journals, until he finally left his uncle’s business, in order to devote himself completely to the study of economics. Dissatisfied with writing for daily papers, which “of necessity is superficial”, he founded his own paper *The Merchants Magazine*, a statistic-economic journal, and he bought at the same time a belletristic monthly, *Sharpe’s London Magazine* which together brought him an annual income of about £ 1,500. This quite satisfactory income, however, was insufficient for the standard of living Strousberg, who meanwhile had married (in 1845), liked to maintain.⁹⁴ Though modest in his personal habits — food and clothing — he liked to keep a comfortable, hospitable open house.

Soon after arriving in London (in 1835) he converted to Christianity and changed his name. According to Wurzbach, Strousberg had left London after some years for America, where he made a living as language teacher, journalist and merchant. He returned to London in 1850 as “Dr.” Strousberg and published his trade journal from 1852 to 1855.

In 1855 Strousberg went back to Germany. He calculated that he could produce his magazines in Berlin cheaper than in England, but eventually lost subscribers due to delays in delivery. An attempt to introduce German art to the British market also proved a commercial failure. He wrote art notes in his magazine, and assembled a collection which he eventually sold for 800,000 *Thaler*. But he earned a fee of £ 10,000 for actuarial advice to British insurance companies in merger negotiations, and became

⁹⁰Strousberg, *op. cit.*, p. 10.

⁹¹*Ibid.*, p. 16.

⁹²*Ibid.*, p. 19.

⁹³*Ibid.*, p. 17.

⁹⁴*Ibid.*, pp. 22-23.

general agent for Germany of one of these insurance companies, the "Waterloo". The publication of a magazine *Der Illustrierte Omnibus* was not successful and was given up.

It must have been about 1864 or 1865 that, by chance, he got in contact with a group of British financiers who had tried, so far without avail, to obtain a concession for the construction of the Tilsit-Insterburg railway in Eastern Prussia. Strousberg succeeded and became the consultant and representative of the group. From then onwards he was engaged for eight years or so, in building, mostly as contractor to the concession holders, one line after another; in Germany the railway Pillau-Königsberg-Lyk (1867); the *Ostpreussische Südbahn*, also on behalf of his English friends; then on his own the Berlin-Görlitz and the *Rechte Oder-Ufer Bahn* (1866); the Märkisch Posener Bahn, the lines Hanover-Altenbeken; Breslau-Kreuzburg; Kattowitz-Pless; Halle-Sorau (1868); in Russia the Brest-Grajewo line, in Hungary the *Nordostbahn*. By the end of the 1860's he had completed about 3,000 kilometres,⁹⁵ and had started on his large Rumanian venture.

Looking at the map all these lines, except the first, seem to belong to three networks, which Strousberg had intended to connect. In the West the line Hanover-Altenbeken (to be continued to Dortmund) with branches to Oeynhausen, Braunschweig, and to Vienenburg (to be continued to Halle); in the centre from Breslau via Cottbus to Görlitz, with branches from Cottbus to Halle in the West, to Posen in the North-East and Sorau (to be continued to Breslau) in the South-East; in the East from Breslau via Kreuzburg-Kattowitz to Pless and the Austro-Russian frontier.

No wonder that with such an achievement Strousberg was hailed as the "railway king". In these few years he had acquired also an industrial empire: rolling mills for rails, and, to feed them, iron mines and collieries; machine, wagon and locomotive factories. At the machine factory at Hanover he built a colony, a housing estate for 2,000 workers. As Wurzbach states, in 1870 over 600 million *Gulden* (1,500 m. fr.) were "operating" in his enterprise and hundreds of thousands of workers in his service. He was engaged also in Antwerp's harbour development. The construction in Berlin of a cattle market, abattoir, the market halls at Schiffbauerdamm, as well as an investment in a fishing enterprise, he considered public services rather than business ventures,⁹⁶ just as he engaged in equally impressive acts of charity. At the same time he is called the largest estate owner in German lands.⁹⁷ As he himself stated,⁹⁸ real estate was a passion with him (a yearning for his ancestors' "status"?). Allegedly he owned

⁹⁵Michaelis, *op. cit.*, p. 96.

⁹⁶Strousberg, *op. cit.*, p. 44.

⁹⁷Michaelis, *op. cit.*, p. 81.

⁹⁸Strousberg, *op. cit.* p. 406.

ten manorial estates, and a county in Russian Poland.⁹⁹ He, indeed, seemed to have the "magic wand" whose touch turned everything to gold.¹⁰⁰

How was this tremendous undertaking financed? Apparently Strousberg earned enough "working capital" by the first two construction jobs which he carried out on behalf of his English friends. Continuing on his own, he seems to have used widely suppliers' and sub-contractors' credit. He left it to them to discount his notes, rather than seeking banking facilities himself (for neither Jewish nor Christian banks had he a good word). But by carefully studying the cash-flow, i.e., the tallying of payments receivable with bills due, he must have established a good credit-rating. A small, efficient organization which permitted the simultaneous construction of several projects, enabled profitable overall operations, even if one project proved a loss.

He seems to have paid some suppliers with the shares of the respective undertaking at large discounts,¹⁰¹ but thereby created a market for railway shares, which were still a novelty on the Berlin exchange. His tendency was to buy cheap. Thus he usually bought when prices were depressed, and then in large quantities, — a speculative risk.¹⁰² By spreading his orders for rails, rolling stock and locomotives among many — also small — competing firms, he was able to keep prices down.¹⁰³ Eventually, he had in his own factories a price-regulator, but contrived to place orders largely outside.¹⁰⁴

From Michaelis' remarks, intended to be condemnatory, one unexpectedly obtains the picture of a first-class commercial and technical organization, dependent for its success on reliable sub-contractors and an assured cash flow. The absence of these two last factors caused the Strousberg disaster in Rumania.

It was a Hohenzollern prince who, in 1866, had become the ruler of that country and, eager to have it "Europeanized", had approached Strousberg to build a railway network in Rumania. A concession was granted to construct a line of 560 miles. To finance the scheme, a 7½% Rumanian Railway Loan was offered in 1868 at 71%. The Rumanian government granted a guarantee, enforceable, however, only after the entire line would be completed and taken into operation. 210 m. *Mark* (£10.5 m.) were raised in this way; the subscribers to the Loan included high aristocracy as well as small savers.

Strousberg had started with great élan and had organized a fleet to bring equipment, rails, bridge-sections to the spot. But the construction, for which an exact calculation was never made, met with unforeseen difficulties.

⁹⁹Michaelis, *op. cit.*, p. 103.

¹⁰⁰v. Radowitz, *op. cit.*, vol. I, p. 189.

¹⁰¹Michaelis, *op. cit.*, p. 101.

¹⁰²*Ibid.*, p. 90.

¹⁰³*Ibid.*, p. 100.

¹⁰⁴*Ibid.*, p. 101.

Rumania was still largely an unexplored and underdeveloped territory, frequently without even primitive roads. Thus access-roads had first to be built, which in the partly swampy area proved impossible. In such places even eighty pairs of oxen could not move the heavily loaded carts. If in a district a cattle plague broke out, transport was altogether paralysed. Broken carts took a long time to repair, at costs six times as high as in Germany. Unsuitable contractors and unreliable employees had endlessly to be exchanged. And all this in a strongly anti-German climate where many people were alert to frustrate Strousberg's enterprise. Delays were inevitable.¹⁰⁵ According to Radowitz, internal political conflicts in Rumania had their strong bearing on the affair. Strousberg suffered from "unsuitable representatives, Germans included, who had been pressed upon him by high sponsors, while he could not employ all Rumanians who applied for work or entertain all requests for "participations". All this contributed to making him enemies.¹⁰⁶ With the outbreak of the Franco-Prussian war in 1870 his engineers and skilled personnel were called home to arms. But Strousberg "was not easily frightened by difficulties". He would have certainly well concluded the railway, for which Rumania was so little prepared, had the war not intervened.¹⁰⁷

When the coupons fell due Strousberg was unable to raise the money and the Rumanian government refused payment under the guarantee clause. In 1871 they tried to cancel the concession. But in view of the large financial German interest at stake, Bismarck intervened. An agreement, reached between the German and Rumanian representatives, was turned down in the Bucarest parliament, whereupon Bismarck brought pressure on Rumania through her suzerain at Constantinople. At Bismarck's request, Gerson Bleichröder and Adolph von Hanseemann arranged a settlement between Rumania and the bond-holders, and the railway Craiova-Bucarest-Braila-Galatz-Jassy was eventually completed in 1873 and operated by the Austrian *Staatsbahn Gesellschaft* on behalf of the syndicate.

Strousberg was thus relieved of his obligations, though at a heavy cost. He had had to mortgage heavily a large part of his property. But he started again, undiscouraged. Early in 1873 he moved to London, the centre of all big business, though he kept his organization in Berlin. There were new railway projects and the harbour of Antwerp. But then the crash on the stock exchange occurred in Vienna and finances dried up. Nevertheless, in 1874, Strousberg bought the *Prag-Wiener A. G. für Waggon und Eisenbahnbedarf*, in 1875 the *Waggon Fabrik Elbing*. He undertook the construction of the *Waagtalbahn* (Pressburg-Troppau), and the con-

¹⁰⁵*Ibid.*, p. 105; see also Fürstenberg, *op. cit.*, pp. 57-58; v. Radowitz, *op. cit.*, vol. I, p. 222.

¹⁰⁶v. Radowitz, *op. cit.*, vol. I, p. 201.

¹⁰⁷*Ibid.*

struction of the Paris-Narbonne railway, largely with credits from the *Kommerz Leih Bank*, Moscow. On a visit to Moscow in 1875 he was arrested on a claim of fraud and, pending the investigation and trial, taken into custody. After two years he was released and expelled from Russia. On the news of his arrest, bankruptcy proceedings were instituted in Germany and Austria. His valuable properties were sold for a fraction of their value.

He returned to Berlin bowed but not broken. He sent his wife and children¹⁰⁸ to London, and started again to make a meagre living as a journalist. There he died in 1884.

XII. THE KÖNIGSWARTERS

There was a certain similarity in the early history of the Königswarters with that of the Rothschilds. Jonas Hirsch (1740-1826), the ancestor, came from Königswart in Bohemia. He had married Charlotte Oppenheim and in the middle of the eighteenth century had moved to Fürth, where he opened a prosperous banking business, "in time conquering almost all Europe".¹⁰⁹ His five sons opened banks in Amsterdam (1817), Frankfurt (1826-1877), Vienna and Paris.

In Fürth, Simon — the eldest son — apparently carried on the paternal business. He married Elisabeth Edle von Lämmerfeld. His son Wilhelm Karl (Fürth 1809 — Merano 1887) was remembered for his charitable endowments in Merano and Fürth (*Königswarter Stiftung*) where a street was named after him.

Marcus (1770-1854) who had married Jeanette, an offspring of Samson Wertheimer, eventually moved to Frankfurt, and Moritz to Vienna after a fourth brother had opened a bank in Amsterdam.

It was Marcus's son Jonas (Fürth 1807 — Vienna 1871) whose name was to become the most distinguished in the family history. Accompanying his father in 1823 on a visit to his uncle Moritz in Vienna, he settled there in 1829, marrying his uncle's daughter Josephine. When his uncle died soon after, he took over the direction of the Viennese house which soon became prominent there and exercised a considerable influence on the Austrian financial administration. In 1838 he was appointed a controller of the Austrian National Bank and in 1850 a director on its board. He became associated with Rothschild in the establishment of the *Creditanstalt*, in 1855, and he served actively on the board of this bank which soon became most active in railway development. He was on the board of Rothschild's *Kaiser Ferdinands-Nordbahn* and of the *Süd-Norddeutsche Verbindungs-Westbahn* (Prague-Pilsen-Bavarian Frontier) whose main concessionaire was Leopold v. Lämél.

¹⁰⁸Michaelis, *op. cit.*, p. 10.

¹⁰⁹Emden, *op. cit.*, p. 152.



THE STROUSBERG FAMILY
After a painting by Ludwig Kraus



SALOMON HEINE
(1767–1844)
Lithograph by Th. Boeden



JONAS FREIHERR VON KÖNIGSWARTER
(1807–1871)
Lithograph by Theodor Mayerhofer

Jonas Königswarter had been knighted by the Emperor Franz Joseph and in 1870 elevated to a (Hungarian) barony and made a member of the Upper House. The Emperor, who had a high regard for this orthodox Jew, on the news of his death said "Der alte Herr hat viel Gutes getan". He had been president of the Jewish community since 1867, and, among charities, took a particular interest in the establishment of the Jewish Institute for the Blind. The sudden death in December 1871 of the "powerful Jonas Königswarter"¹¹⁰ was widely mourned. He was popularly known as the "witty banker". But his most barbed remarks were reserved for converted Jews. In his will he stipulated that any of his sons or grandsons converting to Christianity would have to pay one million gulden to Jewish charities.

It was his son Moritz (1837-1893) who, hitherto a junior partner in his father's bank, now became director of several railway companies. He rendered particularly valuable services to the Austrian economy in the year of the *Krach*, 1873. He, too, was a member of the Upper House, where he belonged to the Liberal Party. Active, like his father, in the Jewish community, he was particularly interested in the Theological Seminary and the construction of the Leopoldstadt Temple (1858) — incidentally designed by the same architect who had built Rothschild's *Nordbahnhof*.

But his brother Hermann "who lived on his father's reputation"¹¹¹, "was ready [in the Upper House] to sacrifice the Eastern Jews in order to save the Western Jews".¹¹² When he eventually, together with his wife and son got baptized, he had to pay, according to his father's will, a million gulden to Jewish charities.¹¹³

We do not know the name of the brother who opened a bank in Amsterdam, but he had two distinguished sons, one Louis Jean (Amsterdam 1814 — Paris 1878) who became a famous law teacher, member of the *Académie des Sciences Morales et Politiques* in Paris; the other, Maximilian (Amsterdam 1817 — Paris 1878), who became a well-known banker in Paris, engaged actively in politics as member of the Legislative Assembly till 1863¹¹⁴ and supporter of Napoleon III.

More interesting in connection with railway development is another

¹¹⁰Hans Tietze, *Die Juden Wiens*, Vienna, 1933, p. 221.

¹¹¹*Ibid.*, p. 235.

¹¹²*Ibid.*, p. 247.

¹¹³Among these contributions, 10,000 crowns went to the *Königswarter Stiftung* at Merano which had been established by Marcus's younger son Isaac of Frankfurt (1818-1877) in 1871, after the death of his young son Emil there at the age of 21. Among the curators of this institution for the years 1881-1887 we find one Dr. W. Königswarter of Frankfurt. (A. Tänzer, *Geschichte der Königswarter Stiftung in Meran*, Merano, 1907).

¹¹⁴Emden who gives the opening of the Paris house as 1878 (Emden, *op. cit.*, p. 153), seems to be mistaken, as Maximilian died in that year.

cousin or brother, Leopold, also a banker in Paris, of whose place in the family tree we know nothing. Together with Gustave de Ridder, who had built railways for the Belgian state, and in 1842 had secured a charter for building a railway from Antwerp to Ghent, this Leopold Königswarter joined in 1844 the first private railway company in Belgium, with a capital of 4.7 m. fr. The line, opened in 1847, was an immediate success and by 1860 dividends averaged 36%, a result not matched by other Belgian lines.¹¹⁵ Leopold Königswarter, we are told by Cameron¹¹⁶ together with a group of Jewish bankers from Amsterdam had applied to the Dutch government in summer 1856 for the authorization for a *Crédit Mobilier* bank, the *Algemeene Maatschappij van Niverheid*. This was not long after Jonas Königswarter had participated in Vienna in the foundation of the *Creditanstalt*.

XIII. LEOPOLD VON LÄMEL

Jonas v. Königswarter, so we read, had been for many years president of the *Böhmische Westbahn*, the concession for which had been obtained by Leopold von Lämél. Lämél, whose name is familiar to us through the Lämél-school in Jerusalem, which his sister (Elise Herz) had endowed in 1856 in memory of her father Simon, was a *Grosshändler*, i.e. a merchant banker in Prague, a director of the *Prager Sparkasse* and the local branch of the *Eskompte Anstalt*, i.e., the discount office of the Austrian *National Bank*. He was a promoter and director of the *Elbe Schiffahrtsgesellschaft* and of the *Tetschner Kettenbrücken Gesellschaft* (a toll-bridge, apparently), and much interested in railway construction. His father, Simon von Lämél, who had been *Armee-Kommissar* in 1813 of Prince Schwarzenberg, the victor at Leipzig against Napoleon I, had settled in Vienna in 1811¹¹⁷.

Lämél, as the *Creditanstalt's* Centennial Volume records¹¹⁸, was probably one of the most interesting personalities among the early directors. He was a man of strict principles and did not hesitate to defend them on the board, even though remaining in a minority.

The building of the *Böhmische Westbahn* had been delayed owing to a long-lasting conflict between Lämél and the other board members. Finally, in 1859 the company was formed.

More flexible was his nephew (son-in-law according to Benedikt) Eduard Wiener (later Edler v. Welten), promoter and president of the *Donau-Dampfschiffahrts Gesellschaft*, who sometimes dissociated himself on the *Creditanstalt* board from the over-rigid position of his relative. Wiener,

¹¹⁵Cameron, *op. cit.*, p. 308.

¹¹⁶*Ibid.*, p. 163 n.

¹¹⁷Benedikt, *op. cit.*, p. 43; M. Grunwald, *Vienna*, Philadelphia, 1935, pp. 250-57.

¹¹⁸*Ein Jahrhundert Creditanstalt-Bankverein*, Vienna, 1957, p. 15.

born in Prague, had moved to Vienna, and, eventually, became chairman of the *Creditanstalt*.

XIV. THE OPPENHEIMS

A. The Oppenheims of Cologne

It was in Bonn in 1789 that Salomon Oppenheim junior had opened a *Kommissions- und Wechselhaus*, that still survives as one of Germany's important private banks. (Salomon's grandfather, Salomon Herz Oppenheim, had come from Frankfurt to Bonn in 1740, where he engaged in the textile trade.) In 1801 he moved to Cologne, where he soon became the head of the newly-established Jewish community. In 1822 he was appointed *Königlich Preussischer Oberhofagent* and when he died in 1828, he left, apart from his banking business, a famous art-collection to his five children.

Of these Simon (1803-1880), and Abraham (1804-1878), carried on the paternal business and made it one of the financial powers in Central Europe. The youngest, David, or Dagobert, after his conversion, (1809-1881), after some time in politics, was active only in the railway enterprise of his brothers. One of the daughters was married to Max von Haber.

The firm was like so many of its contemporaries a *Speditions- & Commissions-Haus*, that engaged in grain and wine trade as well, and eventually emerged as a leading bank in the railway business. "Among private firms the first to join the fray were Salomon Oppenheim junior & Co., who financed new schemes on a considerable scale, and there is no doubt that great credit is due to them."¹¹⁹

It was in 1835, when the project of the Rhenisch railways was first mooted that Oppenheim, with a list of twenty-seven associated firms, among them the Rothschilds of Frankfurt, Paris and Naples, Mendelssohn, Berlin, and Heine, Hamburg, could underwrite about a quarter of the required capital. (The same syndicate co-operated also in subsequent ventures). It was apparently particularly Abraham, who was for the following four decades to be deeply involved in railway development. The Rhenish Railway, Cologne-Aix (Aachen), with a connection to the Belgian railways, was opened in 1843. While the Prussian government had stood aloof, Oppenheim had succeeded in obtaining the participation of the Belgian government in this scheme. The bank took also part in the construction of the Cologne-Minden Railway Company, (1843), whose "paymaster" they practically were, negotiating with suppliers and contractors. In 1855 they brought about a merger of lines belonging to the two companies, whose network was gradually covering the entire Rhineland.

¹¹⁹Landes, *op. cit.*, p.108.

The bank was busy, too, in Russian, Austrian and Hungarian railway issues. In 1855 they participated with the Pereires in the acquisition of the Austrian *Staatsbahn*, and in 1856 with Rothschild in the *Kaiserin-Elisabeth-Westbahn*. A year later they obtained the concession for the *Kärtner Bahn* from Marburg via Klagenfurt to Villach, which soon became part of the Rothschild led *Südbahn*, the largest European railway network. And in 1869 they were part of a syndicate for the construction of the St. Gotthard railway. Their role in the two competing lines to Versailles has already been mentioned.

The Oppenheims were equally active in the formation of banks, like the *Crédit Mobilier*, and the *Darmstädter Bank*, and in the finance and development of mining and industry. It was only with the development of the large joint-stock banks that the Oppenheim house lost its leading position in this field early in the twentieth century.¹²⁰

B. The Egyptian Oppenheims

The Egyptian Oppenheims, too, came from Frankfurt, whence they had moved from their native Windecken in Oberhessen. That place, it was said, became too uncomfortable for moneylenders "of some disrepute". Henry Oppenheim was born there in 1835. His father Simon in 1850 moved to London, where he set up the banking firm of Simon Oppenheim & Company, which prospered, owing to its German connections and various Near East ventures. Simon's brother Hermann was a partner in Alberti, Pinto, Oppenheim & Co., Paris, and in Oppenheim, Alberti & Co., Constantinople, as well as in Oppenheim, Chabert & Co., Alexandria. When the last was liquidated in 1862, a new bank was set up in Alexandria, viz. Oppenheim, Neveu & Cie., which was under the direction of Henry, who thence became a central figure in Egyptian finance¹²¹. As Ducruet¹²² points out, by its particular set-up, the firm enjoyed the patronage and protection of the Prussian, the British and the French Consulate in their dealings with the Egyptians.

¹²⁰The claim of *Sigilla Veris* (vol. IV, 2nd ed., Erfurt, 1931) that Simon Oppenheim on embracing Catholicism was made an Austrian baron, while his brother Abraham became a Prussian baron on converting to Protestantism, does not seem correct, as W. Treue ('Abraham Oppenheim', in *Rheinisch-Westfälische Wirtschaftsbiographien*, vol. VIII, 1962) quotes a rabbi's eulogy at Abraham's funeral. Apparently only their offspring converted, as did their younger brother, David, in order to be admitted to the assessor's examination. - There is, in fact, preserved the "Unterthänigste Immediats-Eingabe der zu Cöln wohnenden Banquiers Abraham und Simon Oppenheim, die Rechtsverhältnisse der Juden in der Monarchie, insbesondere in den Rheinprovinzen betreffend", dated 5/1/1841, in which the brothers advocate equal rights for the Jews. - *Sigilla Veris* it is of interest to note, purports that Oppenheim belonged to the "Rothschild-Hirsch-Erlanger" concern or syndicate, a rather amusing combination for those who know the actual relationships.

¹²¹Landes, *op. cit.*, p. III.

¹²²Jean Ducruet, *Les capitaux Européens au Proche-Orient*, Paris, 1964, p. 22.

XV. TÜRKENHIRSCH

Remarkably little attention has been paid in the international press to the ambitious scheme of a railway line stretching from Saigon to Europe via Istanbul, which was recently published by ECAFE, the United Nations Commission for Asia and the Far East. Fantastic as such a scheme would have appeared to our parents, it does not stir the imagination of a generation that has become accustomed to think of a trip to the moon as a reality in the not too distant future. Nor can they appreciate the magnitude of an undertaking like the building of a railway from Austria to Constantinople less than a hundred years ago, the importance of which is re-emphasized by the present Trans-Asian scheme, of which it represents in fact the first section.

It was a "little banker from Brussels", Baron Maurice de Hirsch, who had the daring to undertake the construction of that railway in a *terra incognita*, in what was still a semi-barbarian country in 1869. He became enmeshed thereby in a net of international political intrigues which would have brought down anybody of lesser strength of character and mind. But Hirsch, whom his undertaking earned the nickname *Türkenhirsch*, showed his steadfastness, determination and resourcefulness, and in the end brought his enterprise to a successful conclusion. In 1888, almost two decades from the issue of the concession, the first through-train ran from Paris to Constantinople.

Hirsch, as we have seen¹²³, had some experience in the railway business, in its diplomacy, its construction and its finance in Belgium, Russia and Hungary. He obtained the concession from the then pro-Western Ottoman government in April 1869 for building and operating a main line from Constantinople to Sisak (Austria) and four branch lines, a total of 2,500 km. After an attempt to make the Rothschilds (*Südbahn*) or the *Staatsbahn* join in the enterprise had failed, Hirsch went ahead alone and formed two companies, one for the construction, the other for the operation of what was to become known as the Oriental Railways. Work began in 1870 and proceeded in spite of the difficulties caused by the Franco-German War in the supply of manpower and material.

Meanwhile a change had taken place in the Ottoman government. After the death in 1871 of the pro-Western Grand Vizier Ali Pasha, his place was taken by the anti-Western Mahmoud Nedim Pasha who, unable to cancel the concession altogether, brought about a reduction of the conceded lines to 1,179 km. in three isolated and disconnected sections, which were completed by December 1874.

Hirsch continued his endeavours to have the through-line completed as originally envisaged, but only in 1878, at the Congress of Berlin, were

¹²³Above, pp. 175 ff, 181, 184.

Turkey and its successor states made responsible for it. Still, it took much diplomatic pressure before the work was actually taken in hand. As the details of this complicated story, which forms an important chapter in the history of the struggle for the mastery of Europe, have recently been told in full detail¹²⁴, suffice it to say that finally, in 1888 the line was completed. Hirsch thereupon sold out his interests in this line to a syndicate formed by the *Wiener Bankverein* and the *Deutsche Bank* which had embarked on the Baghdad Railway scheme. He retired from business altogether and devoted his remaining years (till 1896) to the pleasures of the turf and the solution of the Jewish problem by mass emigration from the countries of oppression to settlements in the Argentine.

XVI. SIR ERNEST CASSEL

It was a close friend of Hirsch's, Ernest Cassel of Cologne (1852-1921), eventually one of the financial tycoons of Great Britain and an intimate friend of Edward VII, who had made a significant contribution to the railway development of Sweden and overseas. He, like Hirsch, had started his career at the Bischoffsheims (in 1871), where he soon showed his exceptional gifts.

The Bischoffsheims had become heavily engaged in the business of the Swedish Central Railway, which had been built in the sixties from the port of Oxelösung to the iron mines of the Grängesberg district. The working of the ore, however, owing to its high phosphoric content, had proved unremunerative and the railway a losing proposition. Cassel, who was always in touch with new developments, had heard of the new Thomas Gilchrist process for iron-working and acquired it for the Swedish mines in which he personally invested heavily. The subsequent technological success in the working of the ore laid the foundation for Cassel's fortune and made profitable the operation of the railway, in the expansion of which Cassel took an active hand¹²⁵.

It was originally in extricating the Bischoffsheims from troublesome American entanglements — the New York-Pennsylvania-Ohio Railway —, that Cassel had met, in 1874, young Jacob Schiff¹²⁶, a native of Frankfurt, who was quickly rising to the head of the New York banking firm of Kuhn, Loeb & Co. A life-long friendship ensued, lasting more than forty years. That firm, during the years 1875-1900, was almost exclusively engaged in providing finances for the growth of American railroads and in

¹²⁴Cf. S. Adler-Rudel, 'Moritz Baron Hirsch, Profile of a Great Philanthropist', *LBI Year Book VIII* (1963), pp. 29-69; K. Grunwald, *op. cit.*, (see note 55).

¹²⁵Cf. *Dictionary of National Biography*, vol. 1912-1921, Oxford 1924. - On Cassel's relations to Albert Ballin and their joint effort to prevent the deterioration of German-English relations before 1914 cf. Eduard Rosenbaum, 'Albert Ballin: A Note on the Style of his Economic and Political Activities', *LBI Year Book III* (1958), pp. 257-99.

¹²⁶Cf. Cyrus Adler, *Jacob H. Schiff, His Life and Letters*, 2 vols., New York, 1928.

effecting the often necessary reorganizations. Cassel personally participated in one of them, in 1884, i.e., the Louisville and Nashville Railway. He financed the Mexican Central Railway and formed the Mexican Central Railway Securities Corporation. Later he was responsible for the construction of 292 kilometres of railroad in Egypt. At home, in London, he was prominent, in 1894, in the forming of the Electric Traction Co. Ltd., which a year later underwrote the construction of the Central London Railway.

CONCLUSION

While the railway developments outside Europe mentioned above are beyond the scope of this paper, the cases quoted in the previous chapter serve to remind us that all these developments depended on European capital, and often enough, on European enterprise. "As early as 1864... four billion francs were invested in railroad companies in France. Quite frequently the financing of the newly established companies took place on an international basis... Nobody during those years was afraid to invest his money in the construction of the Baghdad Railway or the Shantung Railway..."¹²⁷

From the Atlantic to the Urals is a broad canvas and we have tried only to sketch, within the general picture of the rapid expansion of the continental railway network the share of Jewish entrepreneurs in this development. This share was, we believe, a most impressive one, impressive not only in a quantitative sense. They were pioneers; in Austria and France the first to engage in what seemed an extremely risky and doubtful undertaking.

And they designed and created, like the Pereire brothers in their *Crédit Mobilier*, the financial instruments for carrying out their big schemes of girdling the globe with rails, and for the setting up of large industrial enterprises which were to provide the freight the railroads were to carry — financial instruments which quickly became the prototype for Europe's modern banks. And in utilizing their almost proverbial international connections with relatives and business associates in other countries, they made an important contribution to the evolution of an international capital market and substantially assisted the infra-structural development of the economically backward parts of the continent.

The few decades that had passed since the first courageous entrepreneurs had staked their fortunes on ventures of doubtful success changed not only the face of Europe, but also its outlook. Much of this was due to men who had only recently emerged from the Ghetto. The signal development outlined here constitutes one of the most remarkable passages in Jewish economic history.

¹²⁷H. L. Budich, *The Underwriting Business*, Union Bank of Switzerland, 1966.

APPENDIX

As a supplement to the monographs of the principal German-Jewish financial railway promoters and some of their associates we give subsequently some details of banking firms which were prominent in similar business but have only been mentioned casually in the main story.

I. ARNSTEIN AND ESKELES

Partners in a most, if not the most important bank in Vienna at the turn of the nineteenth century, the bankers Arnstein and Eskeles mentioned in chapters II and VII were related to each other by marriage, if not already by a common descent from Samson Wertheimer.

Isaac Arnstein, who had come from Würzburg as an employee of Samson Wertheimer, his cousin and brother-in-law, had become wealthy as an army and court purveyor. His banking house received the title *K. K. Privilegierte Grosshandlung* in 1782. (One of his grandsons, Benjamin Arnstein, 1765–1840, who worked as correspondent in the family bank, had made a name for himself as a literary figure). His son Adam in 1768 had received the right to reside outside the ghetto, when he threatened to move to Holland. His son Nathan (1748–1838) was a follower of Mendelssohn, brother-in-law of the Berlin Court Banker Itzig, whose sister Fanny (1757–1818) he had married. She was an outstanding personality, beautiful and brilliant, whose home had become a centre of Viennese society, particularly during the Congress of Vienna, 1814/15, when among those frequenting her salon were Talleyrand, Wellington, Hardenberg, Gentz and many others¹. Her daughter was married to Heinrich Pereira-Arnstein whom her husband had adopted in 1810, lacking a male heir of his own. So the barony was inherited by Heinrich Pereira-Arnstein and his son Louis. (Her sister, Henrietta Herz, originally a very orthodox Jewess, later on became a convert to Protestantism. Her children, too, were converts). Nathan, who had been knighted and appointed Swedish consul, died in 1838, aged ninety.

Bernhard Eskeles (1752–1839), a grandson of Samson Wertheimer, as well as of the noted Galician Rabbi Gabriel Eskeles, was married to Cecilia, Fanny's other sister. Knighted in 1811 and made a baron in 1822, he became financial advisor to Emperor Franz I, vice-governor of the newly created *Nationalbank*, on whose board he served twenty-three years. (He had been trained in Amsterdam). He was the more important of the two partners.

His son Daniel (Denis) belonged to the Viennese opponents of Roth-

¹Cf. the excellent biography by Hilde Spiel, *Fanny von Arnstein oder Die Emanzipation. Ein Frauenleben an der Zeitwende*, Frankfurt, 1962.

schild and therefore the Austrian ambassador to Paris, Baron Hübner who, too, disliked a Rothschild (James, his Consul-General) was glad to introduce him to Napoleon III. This led to the purchase of the *Staatsbahn* by the *Crédit Mobilier*, with Eskeles, Sina and Pereira in Vienna on the board².

When the newly formed *Creditanstalt* opened subscription for an issue of 15 m. fl., Denis Frh. v. Eskeles had signed the full amount. But each subscriber got only 2% allotted³. Relying on the mis-informed optimism of Hübner who did not know of Napoleon's agreement with Cavour against Austria, Eskeles became insolvent in 1859, when the deterioration in foreign relations led to a collapse of the Austrian state loans on the French market.⁴

II. THE HABERS

Among the original members of the *Creditanstalt* was Louis von Haber, who came from Karlsruhe and was a banker in Frankfurt. It was said that he had informed Rothschild of Pereire's preparations for opening a *Crédit Mobilier* in Vienna. For him and his brother Moritz the connection with the *Creditanstalt* was the starting point for an interesting career in finance.⁵ Louis von Haber (1804-1892) who, according to Kohut, owned a sugar factory in Bohemia, had been elevated to a barony, made a member of the Austrian Upper-House, and embraced Christianity.

Louis' father Salomon — or Samuel, acc. to Emden — (Breslau 1760-Karlsruhe 1839) had risen from a poor family to a position of wealth and eminence. Having settled at Karlsruhe late in the eighteenth century, he had handled some of the large German national loans and assisted financially in the early industrial development in Württemberg and Baden. From about 1820 the *Bankhaus* S. Haber & Söhne belonged to the leading money powers, and in 1829 hereditary nobility was conferred on the Court Banker Haber who, Emden claims, was a descendant of Jud Süß Oppenheimer. They soon intermarried with other Jewish moneyed families. In 1836 Jordan v. Haber married Henriette Beyfuss, and his brother Maximilian in 1840 her sister Julia. A third sister Charlotte married Abraham Oppenheim, partner in Sal. Oppenheim Jr. & Co., Cologne. Their father Leopold Beyfuss (1786-1815) scion of an old banking house had married London's Nathan Meyer Rothschild's sister Babette (1784-1869. (The bank Beyfuss Bros. since 1857 renamed L. v. Steiger & Co. liquidated in 1895 after an existence of almost 200 years). But in 1847 when the Haber firm was in difficulties, it was the State which rescued them and not the family connections. (The Rothschilds, in fact, seem to have

²Benedikt, *op. cit.*, p. 35-36.

³*Ein Jahrhundert Creditanstalt-Bankverein*, *op. cit.*, p. 9.

⁴Benedikt, *op. cit.*, p. 57.

⁵*Ein Jahrhundert Creditanstalt-Bankverein*, *op. cit.*, p. 15.

aggravated the difficulties). But they recovered quickly after the liquidation of the Karlsruhe house. And we find Moritz v. Haber, together with Abr. Oppenheim & Gustav v. Mevissen in 1853 as one of the founders of the Pereire-inspired *Bank für Handel & Industrie* at Darmstadt, soon to become known as the *Darmstädter Bank*.⁶ Two years later, in 1855, as previously mentioned, Louis is with the Rothschilds among the founders of the *Creditanstalt*, Vienna. He and his brother Samuel (Moritz?) in 1863 appear among the founders of the Austrian *Bodenkreditanstalt*, together with Isaac Pereire, and oddly enough, Victor Benary of the Paris Rothschild house. (Among the other founder-directors we find also Altgraf Franz Salm Reifferscheidt, who in 1878 appears as chairman designate of Hirsch's Rumelian Railways).

The youngest of the brothers, Samuel, who had settled in Paris, owned one of the great European fortunes in the mid-nineteenth century.⁷

Moritz, who had married a sister of the Cologne Oppenheims, after having been involved in an amorous affair in Karlsruhe, killed in a duel Julius v. Göhler and took permanent refuge in Paris. He actually had left Karlsruhe in 1820 and "cut a figure in . . . London and Paris".⁸

Kohut⁹ notes that in 1897 Baroness Julia von Haber, a daughter-in-law of Salomon was buried in the Jewish cemetery at Karlsruhe. She was the last of that name.

III. THE FOULDS

The firm B. L. Fould et Fould Oppenheim which started in about 1815, i.e., the time when Rothschild opened up in Paris, must be mentioned here, if only passingly although it, too, does not, strictly speaking, belong to the history of German Jews. But there were business connections with German-Jewish bankers in railway construction and Benedict, the eldest son of Berr Leon Fould, had married Héléne, the daughter of Sal. Oppenheim jr., Cologne. His younger brothers Benoît (1792-1858) and Achille (1800-1867) joined the firm, but in 1849 Achille left the firm to devote himself to politics, and eventually became Minister of Finance under Napoleon III.

The bank under Benoît as remaining senior partner "climbed to the periphery of the *haute banque*", to which so far only one "Jew", Adolphe d'Eichthal,¹⁰ belonged. (He had been a regent of the *Banque*

⁶Emden, *op. cit.*, p. 209. On p. 88 he speaks of Samuel von Haber jr. as a co-founder of the Darmstadt *Bank- und Creditanstalt*, which seems to be a mistake.

⁷Frederick H. Brunner, 'Juden als Bankiers - ihre völkerverbindende Tätigkeit', in *In zwei Welten. Siegfried Moses zum fünfundsiebzigsten Geburtstag* Tel-Aviv, 1962, p. 534.

⁸Emden, *op. cit.*, p. 89. [Cf. letter of Simon Belmont on p. 243 of this Year Book. - Ed.]

⁹Adolph Kohut, *Berühmte israelitische Männer und Frauen*, vol. II, Leipzig, 1901, p. 396.

¹⁰Adolphe d'Eichthal was the grandson of Aron Elias Seligmann, Bavarian court banker who, when made a baron, had changed name and religion. He had sent his son Louis

de France from 1839 till 1849, a position which Adolphe de Rothschild had attained only in 1855.¹¹) Bénédict felt strong enough, with the political backing he could rely on, to challenge Rothschild. When the latter in 1839 built his railway to Versailles on the right bank of the Seine, Fould financed the competing line on the left bank. Isaac Pereire, Rothschild's right-hand man in the railway business, in about 1850 switched his loyalties to what seemed the rising star, and in 1852 they established the *Crédit Mobilier*.

When Bénédict died in 1858, Achille's son Adolphe (1824-1875) took his place and was a member of the syndicate which bought the Austrian *Staatsbahn* in 1855. While Bénédict was active in Jewish community affairs, Achille who had married a Protestant, was buried in a Protestant cemetery.

to Paris to open a branch there in 1820. Lévy-Leboyer, *op. cit.*, p. 432, refers to the affiliation of the house of Louis d'Eichthal at Paris to that of August d'Eichthal, Augsburg.

¹¹Cameron, *op. cit.*, p. 109 n.

